NATIONAL
BANK

Annual Report 2024

At a Glance

Founded in 1859, National Bank of Canada offers financial services to individuals, businesses, institutional clients and governments across Canada.

We are one of Canada's six systemically important banks and we deliver superior return on equity.[1]

We operate through three business segments in Canada: Personal and Commercial Banking, Wealth Management and Financial Markets. A fourth segment, U.S. Specialty Finance and International, complements the growth of our domestic operations.

We are a leading bank in our core Quebec market, where most of our branches are located, and also hold leadership positions across the country in selected activities.

We strive to meet the highest standards of corporate responsibility while creating value for our shareholders. We define ourselves as an employer of choice and are recognized for promoting inclusion and diversity.[5]

We are headquartered in Montreal, and our securities are listed on the Toronto Stock Exchange (TSX: NA).

2.9 million Clients[2]

31,303 Employees[3]

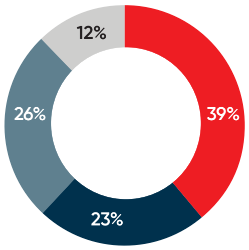
$11.4 B Total Revenue

$3.8 B Net Income

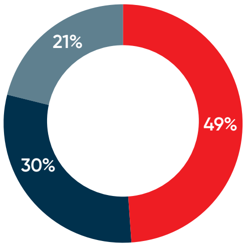
$462 B Total Assets

$45.3 B Market Capitalization

2024 Adjusted Total Revenue by Business Segment[4]



2024 Adjusted Total Revenue by Geographic Distribution[4]



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[1] Based on Return on common shareholders' equity (ROE) as reported by Canadian peers, including Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Bank of Nova Scotia. and Toronto-Dominion Bank (together, the Canadian peers).

[2] Clients of the Personal and Commercial segment.

[3] Worldwide.

[4] Excluding the *Other* heading. See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.

[5] Women in Governance.

Investing in National Bank

OUR PILLARS

Culture

- Entrepreneurial
- Agile
- Collaborative
- Diverse and inclusive

Strategic Positioning

- Canadian bank with leading franchise in Quebec
- Differentiated positioning in Financial Markets and Wealth Management
- Focused strategy outside Canada

Discipline

- Strong risk management culture
- Disciplined cost management
- Solid capital levels

OUR PERFORMANCE IN 2024

Superior ROE[1]

17.2%
Reported

16.7%[2]
Adjusted

2024 ROE[3]

Strong Earnings Power

15.6%
Reported

9.8%[4]
Adjusted

Diluted Earnings per Share Growth (2024/2023)

Solid Credit Performance

20 bps

PCL on Impaired Loans (excl. POCI) Ratio[3][5]

Robust Capital Position

13.7%

CET1 Capital Ratio[2] as at October 31, 2024

Sound Liquidity Profile

150%

Liquidity coverage ratio[2] as at October 31, 2024

Sustainable Dividend Growth

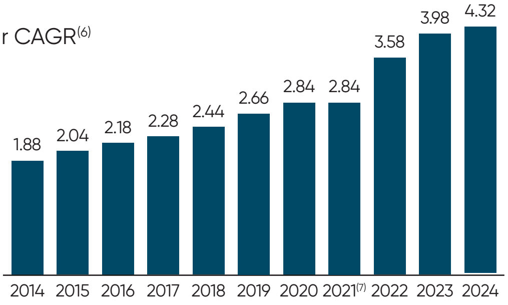
($ per share)

8.7% 10-year CAGR[6]

Adjusted Dividend Payout Ratio[2]

42% 10-year average

40–50% medium-term objective



Leading Total Shareholder Returns[3]

CAGR[6] for the periods ended October 31, 2024

	Ranking[8]	National Bank	Canadian Peers[8]	TSX
3 years	#2	14%	6%	8%
5 years	#1	19%	10%	11%
10 years	#1	14%	9%	8%

Source: Nasdaq IR Insight via Factset

[1] Based on Return on common shareholders' equity (ROE) as reported by Canadian peers, including Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Bank of Nova Scotia and Toronto-Dominion Bank (together, the Canadian peers).
[2] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios and for additional information on capital management measures.
[3] See the Glossary section on pages 130 to 133 for details on the composition of these measures.
[4] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.
[5] Provisions for credit losses (PCL) on impaired loans excluding purchased or originated credit-impaired (POCI) loans as a percentage of average loans and acceptances.
[6] Compound annual growth rate.
[7] Interruption of dividend increases, as prescribed by the Office of the Superintendent of Financial Institutions (Canada) (OSFI) between March 13, 2020, and November 4, 2021.
[8] Among Canadian peers, as defined above.

Financial Overview

Medium-Term Objectives and Results

	Medium-Term Objectives		2024 Results
Growth in diluted earnings per share – Adjusted[1]	5–10%		9.8%
ROE – Adjusted[2]	15–20%		16.7%
Dividend payout ratio – Adjusted[2]	40–50%		41.2%
Capital ratios[3]	Strong	CET1 Capital Ratio[3]	13.7%
Liquidity ratios[3]	Strong	LCR[3]	150%

Financial Highlights

As at October 31 or for the year ended October 31 (millions of Canadian dollars, except per share amounts)	Reported		Adjusted[1]	
Operating results	**2024**	**2023**	**2024**	**2023**
Total revenue	**11,400**	10,058	**11,628**[1]	10,546[1]
Income before provisions for credit losses and income taxes	**5,346**	4,305	**5,592**[1]	4,954[1]
Net income	**3,816**	3,289	**3,716**[1]	3,363[1]
Efficiency ratio[4]	**53.1%**	57.2%	**51.9%**[2]	53.0%[2]
Return on common shareholders' equity[4]	**17.2%**	16.3%	**16.7%**[2]	16.6%[2]
Dividend payout ratio[4]	**40.1%**	42.7%	**41.2%**[2]	41.7%[2]
Diluted earnings per share	**$10.68**	$9.24	**$10.39**[1]	$ 9.46[1]
Dividends declared	**$4.32**	$3.98		

Total assets	**462,226**	423,477

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.
[2] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.
[3] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[4] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Message From the President and Chief Executive Officer

National Bank has prioritized value creation throughout its history and through various economic cycles. On the 165th anniversary of the Bank's founding, we owe our success to the dedication and commitment of our teams, and to the trust placed in us by our clients and the communities in which we operate. National Bank exists first and foremost to support its stakeholders, which is clearly reflected in our mission to positively impact people's lives by building long-term relationships.

We are demonstrating resilience and adaptability in an environment that remains complex. The year 2024 will have been marked by persistent macroeconomic and geopolitical uncertainty. Restrictive monetary policy placed pressure on consumers and many businesses in Canada.

Through a disciplined execution of our strategic priorities, a diversified business model and our prudent approach to capital, credit and costs, we have delivered another year of organic growth across all our business segments as well as a superior return on equity for 2024. We are well-positioned to continue supporting our growth and redistributing capital to our shareholders, notably through sustainable dividend increases.

With this in mind, we have announced the continuation of our pan-Canadian expansion with the agreement to acquire Canadian Western Bank (CWB), which is based in Alberta and complements our operations.

2024 – A Great Year for National Bank

In 2024, all our business segments posted solid results.

Once again, we have achieved our growth targets in the Personal and Commercial segment for total client acquisition. We also simplified and modernized our banking product and service offerings and enhanced our efforts to raise clients' awareness of fraud prevention and cybersecurity. The segment is also continuing its domestic growth outside Quebec.

Again this year, the investment solutions of National Bank Investments earned five *LSEG Lipper Fund Awards Canada 2024* for outstanding performance. For the second year in a row, National Bank was also recognized by *MoneySense* as the best bank for newcomers to Canada.

Our Wealth Management segment is one of the leaders in full-service brokerage and wealth management services in Canada and posted solid financial performance in 2024. We are maintaining our position as the leading solution provider to independent firms across the country, who can now benefit from an enhanced digital offering. Our open-architecture approach remains a growth driver for our clients in targeted activities across the country.

The Financial Markets segment once again delivered excellent results while maintaining disciplined risk management. By investing in technology and innovative solutions, the segment has been able to diversify and deliver solid results. Year after year, our team demonstrates an ability to deliver consistent financial performance while adapting to ever-changing market conditions.

The Bank complements its growth in Canada with a focused and disciplined international strategy to achieve superior returns. Credigy, our U.S. subsidiary, posted significant balance sheet growth by applying a disciplined investment approach. In 2025, the team will seek to develop new partnerships and will remain ready to seize opportunities as they arise in rapidly changing markets.

In Cambodia, ABA Bank continued to solidify its leadership position as the preferred bank for individuals and small and medium enterprises. Despite the economic slowdown in Cambodia, 2024 was marked by significant growth in loan volumes as well as the opening of a dozen new branches, enabling ABA Bank to maintain its position in the market while continuing to grow.

Message From the President and Chief Executive Officer (cont.)

New Chapter for National Bank

This year was also marked by a major milestone: the inauguration of our new head office, National Bank Place, in downtown Montreal. This 40-storey tower, built to the highest standards of sustainable construction, grew out of a desire to bring together, in a single location, the majority of our teams, which had been operating out of several buildings in downtown Montreal. The new head office therefore provides a place where we can meet and collaborate with each other and with our clients. It is an environment where design and technology encourage creativity and foster well-being. With our solid base in Quebec, we will pursue our ambitions for pan-Canadian growth and continue to play a leading social and economic role in the country.

With the acquisition of CWB, we aim to create a Canadian banking leader by bringing together banks with complementary footprints. This will enable us to provide our clients with access to a broader range of services, expertise and products, along with the benefits of supporting technological investment and innovation.

We share similar core values and an unwavering commitment to our clients and the communities we serve, as well as a deep and long—standing history of support for local entrepreneurship—points that will help us build a strong common base to serve Canadians. In September, the transaction received regulatory approval from the Competition Bureau—a major step forward in the unification of our two banks.

A More Sustainable, Innovative and Prosperous Economy

We continue to demonstrate our commitment to sustainable development and to supporting a diverse clientele. Canada's energy transition is well underway and presents great potential for new opportunities for businesses as well as for National Bank. As a key player in the Canadian financial sector, we are determined to play our part in the fight against climate change.

This fight mobilizes society, entrepreneurship and innovation—a winning combination to stimulate the development of clean technologies. We are contributing to this development with our significant investments in this sector, most recently with Deep Sky, a Montreal-based developer of carbon removal projects, to support their infrastructure projects at their first sites in Alberta and Quebec.

Founded by and for entrepreneurs, National Bank is proud to serve its clients by supporting them from ideation through to commercialization, no matter the economic environment. The very nature of entrepreneurship is to overcome challenges, and the recent obstacles faced by businesses have been a driving force in advancing innovation even further, across many of our country's industries. This is particularly true of the technology sector, which is so essential to the energy transition as well as to labour productivity in many sectors.

Change in the Senior Leadership Team

In 2024, one of our leaders, William "Bill" Bonnell, Executive Vice President, Risk Management and Chief Risk Officer, announced his retirement and transition to a new role as strategic advisor to the Senior Leadership Team. Over the years, he has been instrumental in developing a strong risk management culture, through several economic cycles. We will continue to benefit from his experience in his new role.

Jean-Sébastien Grisé, formerly Senior Vice President and Chief Credit Officer, will take over from Bill. He joined the Bank in 2015 and has held a number of senior risk management positions in the Personal and Commercial and Wealth Management segments. We look forward to continuing to benefit from his in-depth expertise and understanding of the Bank and its risk environment; these assets will be invaluable in his new role.

Acknowledgements and Outlook for Next Year

The future looks bright for National Bank, and we look forward to the year ahead: more growth in Western Canada, more services, more choices and more ways to serve Canadians, as well as more opportunities for businesses in various sectors across the country.

We have accomplished a great deal together over the past year: inaugurating our new head office in Montreal, announcing the acquisition of CWB, and achieving our growth objectives in all our business segments.

I would like to thank the entire team of the Bank for their efforts and dedication. The Bank is a pillar of our economy and one of Canada's domestic systemically important banks, so we owe it to ourselves to stay the course and continue to help bring leadership, confidence and stability to all those we serve.

To our more than 2.9 million customers, I would like to express my sincere gratitude for your trust. We anticipate another great chapter for National Bank, and I look forward to continuing this adventure with all of you. We have a strong team and we continue to forge ahead with our approach based on prudent capital, credit and cost management. I am convinced that our agility, ambition and discipline will continue to serve our clients, our communities and, ultimately, our shareholders well.

Laurent Ferreira
President and Chief Executive Officer

Members of the Senior Leadership Team

Laurent Ferreira
President and
Chief Executive Officer

Lucie Blanchet
Executive Vice-President,
Personal Banking and
Client Experience

Michael Denham
Executive Vice-President,
Commercial and
Private Banking

Étienne Dubuc
Executive Vice-President,
Financial Markets and Co-President
and Co-Chief Executive Officer,
National Bank Financial

Marie Chantal Gingras
Chief Financial Officer and
Executive Vice-President,
Finance

Jean-Sébastien Grisé
Executive Vice-President and
Chief Risk Officer

Brigitte Hébert
Executive Vice-President,
Employee Experience

Julie Lévesque
Executive Vice-President,
Technology and Operations

Nancy Paquet
Executive Vice-President,
Wealth Management and Co-President
and Co-Chief Executive Officer,
National Bank Financial

Message From the Chair of the Board

Led by a highly talented team, National Bank ended fiscal 2024 with a solid performance.

During the year, the Board of Directors oversaw the Bank's strategic orientations and received regular updates on business plans. In a period of geopolitical and macroeconomic uncertainties and accelerated technological transformation, the Board provided oversight of the Bank's financial and non-financial risks. It also focused on the progress of the technology program and digital strategy, culture and alignment with the One Mission, the implementation of environmental, social and governance strategy and initiatives, and the employee experience strategy.

The Bank's history has been enriched by the achievement of two remarkable milestones in recent months. First, in June 2024, the Bank announced an agreement to acquire CWB. The Bank's expansion into Western Canada was a priority at every Board meeting this year and integration will continue to be top of mind in discussions between the Board and management. In September 2024, the Bank inaugurated its new head office, National Bank Place, a friendly meeting place for our clients and teams, as well as a stimulating work environment.

I am proud of the work accomplished by the Board in 2024 and would like to thank each Board member for their diligence and hard work throughout this transformative year, which required a closer collaboration than ever before between the Board, the Senior Leadership Team and many officers and collaborators.

As the Bank's strategy evolved, we re-evaluated the composition of the Board to ensure that it meets the Bank's current and future needs. It is in this context that Arielle Meloul-Wechsler, Executive Vice President, Chief Human Resources Officer and Public Affairs at Air Canada, joined the Board at the last Annual Meeting of Holders of Common Shares. The Board benefits from her impressive experience and leadership, as well as her expertise in human resources, client experience and Canadian regulatory matters. In addition, Scott Burrows, President and Chief Executive Officer of Pembina Pipeline Corporation, joined the Board on August 1. His knowledge of the Western Canadian business community, financial markets and merger and acquisition activities as well as his experience in strategic development are already proving to be major assets for the Board.

With the expansion of the Bank's operations in Western Canada, two members of CWB's Board of Directors will join the Bank's Board upon closing of the transaction.[1] Their knowledge of CWB's clients and the market in which it operates will be invaluable to the Board as it oversees the integration of CWB's operations with those of the Bank. We are delighted to have them on board, and look forward to welcoming our new colleagues and CWB's clients.

Over the next year, the Board will continue to oversee the Bank's business strategy, with a particular focus on the integration of CWB's operations, as well as on the financial and non-financial risks that require increasing attention.

On behalf of the Board of Directors, I would like to thank all employees who live the Bank's values every day for their dedication, and our shareholders for their confidence. I would also like to thank my colleagues as well as the management team for their continued contribution during the year.

With our robust balance sheet, strategic priorities and highly talented team, we embrace 2025 with confidence.

Robert Paré
Chair of the Board of Directors

For more information regarding the Bank's governance, please refer to the most recent *Management Proxy Circular*, which is available on the Bank's website at nbc.ca.

[1] Subject to the closing of the transaction and obtaining the required regulatory approvals.

Members of the Board of Directors

Robert Paré
Quebec, Canada
Chair of the Board of Directors,
National Bank of Canada
and Corporate Director
Director since April 2018

Pierre Blouin
Quebec, Canada
Corporate Director
Director since September 2016

Pierre Boivin
Quebec, Canada
Vice Chairman and
Special Advisor, Claridge Inc.
Director since April 2013

Scott Burrows
Alberta, Canada
President and
Chief Executive Officer,
Pembina Pipeline Corporation
Director since August 2024

Yvon Charest
Quebec, Canada
Corporate Director
Director since April 2020

Patricia Curadeau-Grou
Quebec, Canada
Corporate Director
Director since April 2019

Laurent Ferreira
Quebec, Canada
President and
Chief Executive Officer,
National Bank of Canada
Director since February 2021

Annick Guérard
Quebec, Canada
President and
Chief Executive Officer,
Transat A.T. Inc.
Director since April 2023

Karen Kinsley
Ontario, Canada
Corporate Director
Director since December 2014

Lynn Loewen
Quebec, Canada
Corporate Director
Director since April 2022

Rebecca McKillican
Ontario, Canada
Corporate Director
Director since October 2017

Arielle Meloul-Wechsler
Quebec, Canada
Executive Vice President,
Chief Human Resources Officer
and Public Affairs, Air Canada
Director since April 2024

Pierre Pomerleau
Quebec, Canada
Executive Chair of the Board
of Directors,
Pomerleau Inc.
Director since April 2023

Macky Tall
Florida, United States
Partner and Chair of the Global
Infrastructure Group and
member of the Leadership
CommitteeThe Carlyle Group Inc.
Director since April 2021

Board Committees

Audit Committee
Lynn Loewen *(Chair)*
Pierre Blouin
Scott Burrows
Patricia Curadeau-Grou
Rebecca McKillican

Risk Management Committee
Patricia Curadeau-Grou *(Chair)*
Yvon Charest
Karen Kinsley
Lynn Loewen
Pierre Pomerleau
Macky Tall

Technology Committee
Pierre Blouin *(Chair)*
Patricia Curadeau-Grou
Annick Guérard
Lynn Loewen
Rebecca McKillican

Human Resources Committee
Pierre Boivin *(Chair)*
Pierre Blouin
Yvon Charest
Rebecca McKillican
Arielle Meloul-Wechsler

Conduct Review and Corporate Governance Committee
Yvon Charest *(Chair)*
Karen Kinsley
Robert Paré
Macky Tall

OUR ONE MISSION

We exist to have a **POSITIVE IMPACT** in people's lives.

By building ***long-term relationships*** with our clients, teams, shareholders and our community.

People first.

Why do we need One Mission?

Our One Mission is aligned with our continued efforts to drive social and economic development. In response to changing trends in the banking industry, we've adopted a people-first approach that will help us achieve our objectives and boost our collaboration with stakeholders.

How is our One Mission put into practice?

- Through the experiences we want to deliver to our clients, our employees and the communities we serve.
- Through behaviours that reflect our values: partnership, empowerment and agility.
- Through the way employees work together to boost client satisfaction, employee engagement and community involvement.
- Through the initiatives we prioritize to have a positive impact.

Sustainability at the Bank

Our ESG Principles

Sustainability is an intrinsic part of our strategic planning, and we consider environmental, social and governance (ESG) matters into our business and operational decisions.

As such, we are committed to identifying, understanding and effectively managing the ESG factors that matter to our stakeholders.

The nine principles adopted by our Board of Directors demonstrate our commitment to sustainability and to balancing the interests of different stakeholders in society. They meet several of the United Nations Sustainable Development Goals (SDG).

ENVIRONMENT	SOCIAL	GOVERNANCE
We are working to develop a green economy.	**We enrich communities.**	**We govern according to the highest standards.**
1. We consider the fight against climate change in our economic and community activities. 2. We guide and advise our clients in their energy transition. 3. We manage and reduce our environmental footprint in all our business segments.	4. We maximize the potential of individuals and the community. 5. We promote inclusion, diversity and equity. 6. We foster entrepreneurship, financial literacy, philanthropy and support for health and education.	7. We promote a strong ethics culture, sound governance practices and rigorous risk management. 8. We manage according to responsible business practices. 9. We ensure the long-term viability of the institution.
7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

Supporting a sustainable economy

We have set three climate priorities and drawn up a concrete implementation plan aligned with our structured financing and investment activities and rigorous decision-making process.

Our climate priorities

1. Achieve net-zero by 2050	2. Support our clients	3. Exercise our thought leadership
2050 Reduce greenhouse gas (GHG) emissions from our operations and financing activities.	Support and actively advise our clients in their transition to a low-carbon economy while promoting the development of the renewable energy sector.	Make a commitment to our clients and collaborate with our peers, banking industry organizations and the public sector.

Enriching communities

The Bank is committed to promoting the well-being of the communities in which it operates through a well-defined donation and sponsorship program, the commitment of employees and retirees who volunteer in their communities, and large-scale fundraising efforts with our clients' participation.

NB Grand Tour and Youth in Mind Foundation

Thanks to the efforts of hundreds of employees and volunteers, this charity sports event has raised more than $1.7 million for some 60 organizations over the years. In 2024, we raised $240,000 to support the Youth in Mind Foundation, whose mission is to prevent psychological distress among young people aged 11 to 18, as well as 12 other youth organizations in the Eastern Townships.

National Bank Bursary Program in partnership with the Fondation Aléo

This program supports the careers of student athletes by awarding bursaries and offering services to support them in their academic and athletic journeys. Since the 1990s, more than 421 people have benefited from it. This year, the 32nd edition of the program highlighted the academic and athletic achievements of 22 students, who received $100,000 in bursaries and services.

Ensuring the sustainability of the Bank

For many years, we have rolled out annual regulatory compliance training for all Bank employees. This training helps them contribute to the strength of our organization while maintaining our reputation.

In 2024, more than 99% of our employees completed the training to reinforce their knowledge and vigilance, particularly concerning the fight against money laundering and terrorist financing, anticorruption and the protection of the financial well-being of our clients.

Inaugurating our new sustainable head office

The Bank's new head office is located in the heart of Montreal's Quartier de l'innovation. Standing at nearly 200 metres, this 40-storey building was designed to meet the strictest energy efficiency and accessibility standards.

Our goal is to comply with LEED v4 Gold and WELL standards. The tower includes 400 bicycle parking spots and 80 charging stations for electric vehicles. In addition, the number of charging stations can be adjusted according to our needs.

We aim to offer our employees the most stimulating work environment in the country. Our new head office is filled with natural light and provides a welcoming, informal environment that fosters conversation and collaboration. Employees also have access to a health and wellness floor offering various services, including group fitness sessions, individual training facilities, a lounge and training on health-related topics to promote a healthy lifestyle. The building also features a childcare centre, a nursing space and a zen space for meditation, prayer and personal reflection.

The new Michel-Bélanger Park, a 40,000 sq. ft. space accessible to the community, has been set up at the base of the tower.

Inauguration
Place Banque Nationale
BANQUE NATIONALE

Risk Disclosures

In 2012, the Financial Stability Board (FSB) formed a working group, the Enhanced Disclosure Task Force (EDTF), that was mandated to develop principles for enhancing the risk disclosures of major banks, to recommend improvements to current risk disclosures, and to identify risk disclosure best practices used by major financial institutions. The EDTF published a report entitled *Enhancing the Risk Disclosures of Banks*, which contains 32 recommendations. The Bank makes every effort to ensure overall compliance with those recommendations and is continuing to enhance its risk disclosures to meet the best practices on an ongoing basis. The risk disclosures required by the EDTF are provided in this *Annual Report* and in the document entitled *Supplementary Regulatory Capital and Pillar 3 Disclosure* available on the Bank's website at nbc.ca.

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[1] Fourth quarter 2024.

[2] These pages are included in the document entitled *Supplementary Financial Information – Fourth Quarter 2024.*

Management's Discussion and Analysis

December 3, 2024

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in *National Instrument 51-102*, *Continuous Disclosure Obligations*, released by the Canadian Securities Administrators (CSA). It is based on the audited annual Consolidated Financial Statements for the year ended October 31, 2024 (the Consolidated Financial Statements) and prepared in accordance with International Financial Reporting Standards (IFRS® Accounting Standards) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS Accounting Standards represent Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with the Consolidated Financial Statements and accompanying notes for the year ended October 31, 2024. All amounts are presented in Canadian dollars. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR+'s website at sedarplus.ca. The information found in the various documents and reports published by the Bank or the information available on the Bank's website and mentioned herein is not and should not be considered incorporated by reference into the *2024 Annual Report*, the Management's Discussion and Analysis, or the Consolidated Financial Statements, unless expressly stated otherwise.

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Caution Regarding Forward-Looking Statements

Certain statements in this document are forward-looking statements. These statements are made in accordance with applicable securities legislation in Canada and the United States. The forward-looking statements in this document may include, but are not limited to, statements in the messages from management, as well as other statements about the economy, market changes, the Bank's objectives, outlook, and priorities for fiscal 2025 and beyond, the strategies or actions that the Bank will take to achieve them, expectations for the Bank's financial condition and operations, the regulatory environment in which it operates, its environmental, social, and governance targets and commitments, the anticipated acquisition of Canadian Western Bank (CWB) and the impacts and benefits of this transaction, and certain risks to which the Bank is exposed. The Bank may also make forward-looking statements in other documents and regulatory filings, as well as orally. These forward-looking statements are typically identified by verbs or words such as “outlook”, “believe”, “foresee”, “forecast”, “anticipate”, “estimate”, “project”, “expect”, “intend” and “plan”, the use of future or conditional forms, notably verbs such as “will”, “may”, “should”, “could” or “would”, as well as similar terms and expressions.

These forward-looking statements are intended to assist the security holders of the Bank in understanding the Bank's financial position and results of operations as at the dates indicated and for the periods then ended, as well as the Bank's vision, strategic objectives, and performance targets, and may not be appropriate for other purposes. These forward-looking statements are based on current expectations, estimates, assumptions and intentions that the Bank deems reasonable as at the date thereof and are subject to inherent uncertainty and risks, many of which are beyond the Bank's control. There is a strong possibility that the Bank's express or implied predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate, that its assumptions will not be confirmed, and that its vision, strategic objectives, and performance targets will not be achieved. The Bank cautions investors that these forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors. Therefore, the Bank recommends that readers not place undue reliance on these forward-looking statements, as a number of factors could cause actual results to differ materially from the expectations, estimates, or intentions expressed in these forward-looking statements. Investors and others who rely on the Bank's forward-looking statements should carefully consider the factors listed below as well as other uncertainties and potential events and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

Assumptions about the performance of the Canadian and U.S. economies in 2025 and how that performance will affect the Bank's business are among the factors considered in setting the Bank's strategic priorities and objectives, including allowances for credit losses. These assumptions appear in the Economic Review and Outlook section and, for each business segment, in the Economic and Market Review sections, and may be updated in the quarterly reports to shareholders filed thereafter.

The forward-looking statements made in this document are based on a number of assumptions and their future outcome is subject to a variety of risk factors, many of which are beyond the Bank's control and the impacts of which are difficult to predict. These risk factors include, among others, risks and uncertainties related to the expected regulatory processes and outcomes in connection with the proposed acquisition of CWB (the proposed transaction), such as the possibility that the proposed transaction may fail to materialize or may not materialize within the time periods anticipated, the failure to obtain the required approvals in a timely manner or at all, the Bank's ability to successfully integrate CWB upon completion of the proposed transaction, the potential failure to realize the anticipated synergies and benefits from the proposed transaction, and potential undisclosed costs or liability associated with the proposed transaction; the general economic environment and business and financial market conditions in Canada, the United States, and the other countries where the Bank operates; exchange rate and interest rate fluctuations; inflation; global supply chain disruptions; higher funding costs and greater market volatility; changes to fiscal, monetary, and other public policies; regulatory oversight and changes to regulations that affect the Bank's business; geopolitical and sociopolitical uncertainty; climate change, including physical risks and risks related to the transition to a low-carbon economy; the Bank's ability to meet stakeholder expectations on environmental and social issues, the need for active and continued stakeholder engagement; the availability of comprehensive and high-quality information from customers and other third parties, including greenhouse gas emissions; the ability of the Bank to develop indicators to effectively monitor our progress; the development and deployment of new technologies and sustainable products; the ability of the Bank to identify climate-related opportunities as well as to assess and manage climate-related risks; significant changes in consumer behaviour; the housing situation, real estate market, and household indebtedness in Canada; the Bank's ability to achieve its key short-term priorities and long-term strategies; the timely development and launch of new products and services; the ability of the Bank to recruit and retain key personnel; technological innovation, including open banking and the use of artificial intelligence; heightened competition from established companies and from competitors offering non-traditional services; model risk; changes in the performance and creditworthiness of the Bank's clients and counterparties; the Bank's exposure to significant regulatory issues or litigation; changes made to the accounting policies used by the Bank to report its financial position, including the uncertainty related to assumptions and significant accounting estimates; changes to tax legislation in the countries where the Bank operates; changes to capital and liquidity guidelines as well as to the instructions related to the presentation and interpretation thereof; changes to the credit ratings assigned to the Bank by financial and extra-financial rating agencies; potential disruptions to key suppliers of goods and services to the Bank; third-party risk, including failure by third parties to fulfil their obligations to the Bank; the potential impacts of disruptions to the Bank's information technology systems due to cyberattacks and theft or disclosure of data, including personal information and identity theft; the risk of fraudulent activity; and possible impacts of major events on the economy, market conditions, or the Bank's outlook, including international conflicts, natural disasters, public health crises, and the measures taken in response to these events; and the ability of the Bank to anticipate and successfully manage risks arising from all of the foregoing factors.

The foregoing list of risk factors is not exhaustive, and the forward-looking statements made in this document are also subject to credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, and social and environmental risk as well as certain emerging risks or risks deemed significant. Additional information about these factors is provided in the Risk Management section of the *2024 Annual Report* and may be updated in the quarterly reports to shareholders filed thereafter.

Financial Reporting Method

The Bank's Consolidated Financial Statements are prepared in accordance with IFRS Accounting Standards, as issued by the IASB. The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the Consolidated Financial Statements are to be prepared in accordance with IFRS Accounting Standards, which represent Canadian GAAP. None of the OSFI accounting requirements are exceptions to IFRS Accounting Standards.

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2023. This presentation reflects the retrospective application of accounting policy changes arising from the adoption of IFRS 17 – *Insurance Contracts* (IFRS 17). For additional information, see Note 2 to the Consolidated Financial Statements. The figures for fiscal 2023 have been adjusted to reflect these accounting policy changes.

Non-GAAP and Other Financial Measures

The Bank uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with GAAP. *Regulation 52-112 Respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) prescribes disclosure requirements that apply to the following measures used by the Bank:

- non-GAAP financial measures;
- non-GAAP ratios;
- supplementary financial measures;
- capital management measures.

Non-GAAP Financial Measures

The Bank uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to better assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Bank's operations. In addition, the Bank uses the taxable equivalent basis to calculate net interest income, non-interest income, and income taxes. This calculation method consists in grossing up certain revenues taxed at lower rates (notably dividends) by the income tax to a level that would make it comparable to revenues from taxable sources in Canada. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets irrespective of their tax treatment. However, in light of the enacted legislation with respect to Canadian dividends, the Bank did not recognize an income tax deduction nor did it use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see the Income Taxes section).

The key non-GAAP financial measures used by the Bank to analyze its results are described below, and a quantitative reconciliation of these measures is presented in the tables in the Reconciliation of Non-GAAP Financial Measures section on pages 18 to 20 and in the Consolidated Results table on page 25. It should be noted that, for the year ended October 31, 2024, after the agreement to acquire Canadian Western Bank (CWB) was concluded, several acquisition-related items have been excluded from results since, in the opinion of management, they are not reflective of the underlying performance of the Bank's operations, in particular, the amortization of the subscription receipt issuance costs of $14 million ($10 million net of income taxes); a gain of $174 million ($125 million net of income taxes) resulting from the remeasurement at fair value of the CWB common shares already held by the Bank; the impact of managing fair value changes, which is a loss of $3 million ($2 million net of income taxes); and acquisition and integration charges of $18 million ($13 million net of income taxes). For the year ended October 31, 2023, the following items were excluded from results: a $91 million gain ($67 million net of income taxes) related to the fair value remeasurement of an equity interest; impairment losses of $86 million ($62 million net of income taxes) on intangible assets and premises and equipment; litigation expenses of $35 million ($26 million net of income taxes); a $25 million expense ($18 million net of income taxes) related to the retroactive impact of changes to the *Excise Tax Act*; provisions for contracts of $15 million ($11 million net of income taxes); and a $24 million income tax expense related to the Canadian government's 2022 tax measures.

Adjusted Net Interest Income

This item represents net interest income on a taxable equivalent basis and excluding specified items, if any. A taxable equivalent is added to net interest income so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that net interest income can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Non-Interest Income

This item represents non-interest income on a taxable equivalent basis and excluding specified items, if any. A taxable equivalent is added to non-interest income so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that non-interest income can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Total Revenues
This item represents total revenues on a taxable equivalent basis and excluding specified items, if any. It consists of adjusted net interest income and adjusted non-interest income. A taxable equivalent is added to total revenues so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that total revenues can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Non-Interest Expenses
This item represents non-interest expenses excluding specified items, if any. Specified items, if any, are excluded so that non-interest expenses can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Income Before Provisions for Credit Losses and Income Taxes
This item represents income before provisions for credit losses and income taxes on a taxable equivalent basis and excluding specified items, if any. It also represents the difference between adjusted total revenues and adjusted non-interest expenses. A taxable equivalent is added to income before provisions for credit losses and income taxes so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that income before provisions for credit losses and income taxes can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Income Taxes
This item represents income taxes on a taxable equivalent basis and excluding income taxes on specified items, if any.

Adjusted Net Income
This item represents net income excluding specified items, if any. Specified items, if any, are excluded so that net income can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Net income Attributable to Common Shareholders
This item represents net income attributable to common shareholders excluding specified items, if any. Specified items, if any, are excluded so that net income attributable to common shareholders can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Basic Earnings Per Share
This item represents basic earnings per share excluding specified items, if any. Specified items, if any, are excluded so that basic earnings per share can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Diluted Earnings Per Share
This item represents diluted earnings per share excluding specified items, if any. Specified items, if any, are excluded so that diluted earnings per share can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

The Bank also uses the below-described measures to assess its results, and a quantitative reconciliation of these non-GAAP financial measures is presented in Table 5 on page 124, and on page 7 of the document entitled *Supplementary Financial Information – Fourth Quarter 2024* available on the Bank's website at nbc.ca.

Adjusted Non-Trading Net Interest Income
This item represents non-trading net interest income on a taxable equivalent basis. It includes revenues related to financial assets and financial liabilities associated with non-trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities, and is used to calculate adjusted non-trading net interest margin. A taxable equivalent is added to non-trading net interest income so that the performance of the various assets can be compared irrespective of their tax treatment.

Net Interest Income Related to Trading Activities on a Taxable Equivalent Basis
This item represents net interest income related to trading activities plus a taxable equivalent. It comprises dividends related to financial assets and liabilities associated with trading activities, and certain interest income related to the financing of these financial assets and liabilities, net of interest expenses. A taxable equivalent is added to net interest income related to trading activities so that the performance of the various assets can be compared irrespective of their tax treatment.

Non-Interest Income Related to Trading Activities on a Taxable Equivalent Basis
This item represents non-interest income related to trading activities plus a taxable equivalent. It consists of realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, changes in the fair value of loans at fair value through profit or loss, changes in the fair value of financial instruments designated at fair value through profit or loss, realized and unrealized gains and losses as well as interest expense on obligations related to securities sold short, certain commission income as well as other trading activity revenues, and any applicable transaction costs. A taxable equivalent amount is added to the non-interest income related to trading activities such that the returns of different assets can be compared irrespective of their tax treatment.

Trading Activity Revenues on a Taxable Equivalent Basis
This item represents trading activity revenues plus a taxable equivalent. These revenues comprise dividends related to financial assets and liabilities associated with trading activities; certain interest income related to the financing of these financial assets and liabilities, net of interest expenses; realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss; income from held-for-trading derivative financial instruments; changes in the fair value of loans at fair value through profit or loss; changes in the fair value of financial instruments designated at fair value through profit or loss; realized and unrealized gains and losses as well as interest expense on obligations related to securities sold short; certain commission income as well as other trading activity revenues, and any applicable transaction costs. A taxable equivalent is added to trading activity revenues so that the performance of the various assets can be compared irrespective of their tax treatment.

Non-GAAP Ratios

The Bank uses non-GAAP ratios that do not have standardized meanings under GAAP and that may therefore not be comparable to similar measures used by other companies. A non-GAAP ratio is a ratio in which at least one component is a non-GAAP financial measure. The Bank uses non-GAAP ratios to present aspects of its financial performance or financial position.

The key non-GAAP ratios used by the Bank are described below.

Adjusted Return on Common Shareholders' Equity (ROE)
This item represents ROE excluding specified items, if any. It is adjusted net income attributable to common shareholders expressed as a percentage of average equity attributable to common shareholders. It is a general measure of the Bank's efficiency in using equity. Specified items, if any, are excluded so that ROE can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Dividend Payout Ratio
This item represents the dividend payout ratio excluding specified items, if any. It is dividends on common shares (per share amount) expressed as a percentage of adjusted basic earnings per share. This ratio is a measure of the proportion of earnings that is paid out to shareholders in the form of dividends. Specified items, if any, are excluded so that the dividend payout ratio can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Operating Leverage
This item represents operating leverage on a taxable equivalent basis and excluding specified items, if any. It is the difference between the growth rate of adjusted total revenues and the growth rate of adjusted non-interest expenses, and it measures the sensitivity of the Bank's results to changes in its revenues. Adjusted operating leverage is presented on a taxable equivalent basis so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that the operating leverage can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Efficiency Ratio
This item represents the efficiency ratio on a taxable equivalent basis and excluding specified items, if any. The ratio represents adjusted non-interest expenses expressed as a percentage of adjusted total revenues. It measures the efficiency of the Bank's operations. The adjusted efficiency ratio is presented on a taxable equivalent basis so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that the efficiency ratio can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Net Interest Margin, Non-Trading
This item represents the non-trading net interest margin on a taxable equivalent basis. It is calculated by dividing adjusted non-trading net interest income by average non-trading interest-bearing assets. This ratio is a measure of the profitability of non-trading activities. The adjusted non-trading net interest margin includes adjusted non-trading net interest income, which includes a taxable equivalent amount so that the performance of the various assets can be compared irrespective of their tax treatment.

Supplementary Financial Measures

A supplementary financial measure is a financial measure that: (a) is not reported in the Bank's Consolidated Financial Statements, and (b) is, or is intended to be, reported periodically to represent historical or expected financial performance, financial position, or cash flows. The composition of these supplementary financial measures is presented in table footnotes or in the Glossary section on pages 130 to 133 of this MD&A.

Capital Management Measures

The financial reporting framework used to prepare the financial statements requires disclosure that helps readers assess the Bank's capital management objectives, policies, and processes, as set out in IFRS Accounting Standards in IAS 1 – *Presentation of Financial Statements.* The Bank has its own methods for managing capital and liquidity, and IFRS Accounting Standards do not prescribe any particular calculation method. These measures are calculated using various guidelines and advisories issued by OSFI, which are based on the standards, recommendations, and best practices of the Basel Committee on Banking Supervision (BCBS), as presented in the following table.

OSFI guideline or advisory	Measure
Capital Adequacy Requirements	Common Equity Tier 1 (CET1) capital ratio Tier 1 capital ratio Total capital ratio CET1 capital Tier 1 capital Tier 2 capital Total capital Risk-weighted assets Maximum credit risk exposure under the Basel asset classes
Leverage Requirements	Leverage ratio Total exposure
Total Loss Absorbing Capacity (TLAC)	Key indicators – TLAC requirements Available TLAC TLAC ratio TLAC leverage ratio
Liquidity Adequacy Requirements	Liquid asset portfolio Encumbered assets and unencumbered assets Liquidity coverage ratio (LCR) High-quality liquid assets (HQLA) Cash inflows/outflows and net cash outflows Net stable funding ratio (NSFR) Available stable funding items Required stable funding items
Global Systemically Important Banks (G-SIBs) – Public Disclosure Requirements	G-SIB indicators

Reconciliation of Non-GAAP Financial Measures

Presentation of Results – Adjusted

Year ended October 31 (millions of Canadian dollars)						2024	2023[1]
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Operating results							
Net interest income	3,587	833	(2,449)	1,303	(335)	2,939	3,586
Non-interest income	1,086	1,953	5,479	112	(169)	8,461	6,472
Total revenues	4,673	2,786	3,030	1,415	(504)	11,400	10,058
Non-interest expenses	2,486	1,633	1,246	439	250	6,054	5,753
Income before provisions for credit losses and income taxes	2,187	1,153	1,784	976	(754)	5,346	4,305
Provisions for credit losses	335	(1)	54	182	(1)	569	397
Income before income taxes (recovery)	1,852	1,154	1,730	794	(753)	4,777	3,908
Income taxes (recovery)	509	317	476	166	(507)	961	619
Net income	1,343	837	1,254	628	(246)	3,816	3,289
Items that have an impact on results							
Net interest income							
Taxable equivalent[2]	–	–	–	–	(79)	(79)	(332)
Amortization of the subscription receipt issuance costs[3]	–	–	–	–	(14)	(14)	–
Impact on net interest income	–	–	–	–	(93)	(93)	(332)
Non-interest income							
Taxable equivalent[2]	–	–	–	–	(306)	(306)	(247)
Gain on the fair value remeasurement of equity interests[4][5]	–	–	–	–	174	174	91
Management of the fair value changes related to the CWB acquisition[6]	–	–	–	–	(3)	(3)	–
Impact on non-interest income	–	–	–	–	(135)	(135)	(156)
Non-interest expenses							
CWB acquisition and integration charges[7]	–	–	–	–	18	18	–
Impairment losses on intangible assets and premises and equipment[8]	–	–	–	–	–	–	86
Litigation expenses[9]	–	–	–	–	–	–	35
Expense related to changes to the *Excise Tax Act*[10]	–	–	–	–	–	–	25
Provisions for contracts[11]	–	–	–	–	–	–	15
Impact on non-interest expenses	–	–	–	–	18	18	161
Income taxes							
Taxable equivalent[2]	–	–	–	–	(385)	(385)	(579)
Income taxes on the amortization of the subscription receipt issuance costs[3]	–	–	–	–	(4)	(4)	–
Income taxes on the gain on the fair value remeasurement of equity interests[4][5]	–	–	–	–	49	49	24
Income taxes on management of the fair value changes related to the CWB acquisition[6]	–	–	–	–	(1)	(1)	–
Income taxes on the CWB acquisition and integration charges[7]	–	–	–	–	(5)	(5)	–
Income taxes on the impairment losses on intangible assets and premises and equipment[8]	–	–	–	–	–	–	(24)
Income taxes on the litigation expenses[9]	–	–	–	–	–	–	(9)
Income taxes on the expense related to changes to the *Excise Tax Act*[10]	–	–	–	–	–	–	(7)
Income taxes on the provisions for contracts[11]	–	–	–	–	–	–	(4)
Income taxes related to the Canadian government's 2022 tax measures[12]	–	–	–	–	–	–	24
Impact on income taxes	–	–	–	–	(346)	(346)	(575)
Impact on net income	–	–	–	–	100	100	(74)
Operating results – Adjusted							
Net interest income – Adjusted	3,587	833	(2,449)	1,303	(242)	3,032	3,918
Non-interest income – Adjusted	1,086	1,953	5,479	112	(34)	8,596	6,628
Total revenues – Adjusted	4,673	2,786	3,030	1,415	(276)	11,628	10,546
Non-interest expenses – Adjusted	2,486	1,633	1,246	439	232	6,036	5,592
Income before provisions for credit losses and income taxes – Adjusted	2,187	1,153	1,784	976	(508)	5,592	4,954
Provisions for credit losses	335	(1)	54	182	(1)	569	397
Income before income taxes (recovery) – Adjusted	1,852	1,154	1,730	794	(507)	5,023	4,557
Income taxes (recovery) – Adjusted	509	317	476	166	(161)	1,307	1,194
Net income – Adjusted	1,343	837	1,254	628	(346)	3,716	3,363

(1) Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

(2) In light of the enacted legislation with respect to Canadian dividends, the Bank did not recognize an income tax deduction or use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see the Income Taxes section).

(3) During the year ended October 31, 2024, the Bank recorded an amount of $14 million ($10 million net of income taxes) to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB (for additional information, see Notes 14 and 16 to the Consolidated Financial Statements).

(4) During the year ended October 31, 2024, the Bank recorded a gain of $174 million ($125 million net of income taxes) upon the remeasurement at fair value of the interest already held in CWB.
(5) During the year ended October 31, 2023, the Bank had concluded that it had lost significant influence over TMX Group Limited (TMX) and therefore ceased using the equity method to account for this investment. The Bank had designated its investment in TMX as a financial asset measured at fair value through other comprehensive income in an amount of $191 million. Upon the fair value measurement, a gain of $91 million ($67 million net of income taxes) had been recorded in the *Other* heading of segment results.
(6) During the year ended October 31, 2024, the Bank recorded a mark-to-market loss of $3 million ($2 million net of income taxes) on interest rate swaps used to manage the fair value changes of CWB's assets and liabilities that result in volatility of goodwill and capital on closing of the transaction. For additional information, see the CWB Transaction section.
(7) During the year ended October 31, 2024, the Bank recorded acquisition and integration charges of $18 million ($13 million net of income taxes) related to the CWB transaction.
(8) During the year ended October 31, 2023, the Bank had recorded $75 million in intangible asset impairment losses ($54 million net of income taxes) on technology development for which the Bank had decided to cease its use or development (broken down into the business segments as follows: Personal and Commercial ($59 million, $42 million net of income taxes), Wealth Management ($8 million, $6 million net of income taxes), Financial Markets ($7 million, $5 million net of income taxes), and the *Other* heading of segment results ($1 million)). There was also $11 million impairment losses recorded in premises and equipment ($8 million net of income taxes) related to right-of-use assets in the *Other* heading of segment results.
(9) During the year ended October 31, 2023, the Bank had recorded $35 million in litigation expenses ($26 million net of income taxes) in the Wealth Management segment to resolve litigations and other disputes arising from ongoing or potential claims against the Bank.
(10) During the year ended October 31, 2023, the Bank had recorded a $25 million expense ($18 million net of income taxes) in the *Other* heading of segment results related to the retroactive impact of changes to the *Excise Tax Act,* indicating that payment card clearing services rendered by a payment card network operator are subject to the goods and services tax (GST) and the harmonized sales tax (HST).
(11) During the year ended October 31, 2023, the Bank had recorded $15 million in charges ($11 million net of income taxes) for contract termination penalties and for provisions for onerous contracts (broken down in the business segments as follows: Personal and Commercial ($9 million, $7 million net of income taxes) and the *Other* heading of segment results ($6 million, $4 million net of income taxes)).
(12) During the year ended October 31, 2023, the Bank had recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to the 1.5% increase in the statutory tax rate, which included the impact related to current and deferred taxes for fiscal 2022. For additional information on these tax measures, see the Income Taxes section.

Presentation of Basic and Diluted Earnings per Share – Adjusted

Year ended October 31 (Canadian dollars)		2024		2023[1]
Basic earnings per share	**$**	**10.78**	$	9.33
Amortization of the subscription receipt issuance costs[2]		**0.03**		–
Gain on the fair value remeasurement of equity interests[3][4]		**(0.36)**		(0.20)
Management of the fair value changes related to the CWB acquisition[5]		**–**		–
CWB acquisition and integration charges[6]		**0.04**		–
Impairment losses on intangible assets and premises and equipment[7]		**–**		0.19
Litigation expenses[8]		**–**		0.08
Expense related to changes to the *Excise Tax Act*[9]		**–**		0.05
Provisions for contracts[10]		**–**		0.03
Income taxes related to the Canadian government's 2022 tax measures[11]		**–**		0.07
Basic earnings per share – Adjusted	**$**	**10.49**	$	9.55
Diluted earnings per share	**$**	**10.68**	$	9.24
Amortization of the subscription receipt issuance costs[2]		**0.03**		–
Gain on the fair value remeasurement of equity interests[3][4]		**(0.36)**		(0.20)
Management of the fair value changes related to the CWB acquisition[5]		**–**		–
CWB acquisition and integration charges[6]		**0.04**		–
Impairment losses on intangible assets and premises and equipment[7]		**–**		0.19
Litigation expenses[8]		**–**		0.08
Expense related to changes to the *Excise Tax Act*[9]		**–**		0.05
Provisions for contracts[10]		**–**		0.03
Income taxes related to the Canadian government's 2022 tax measures[11]		**–**		0.07
Diluted earnings per share – Adjusted	**$**	**10.39**	$	9.46

(1) Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.
(2) During the year ended October 31, 2024, the Bank recorded an amount of $14 million ($10 million net of income taxes) to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB (for additional information, see Notes 14 and 16 to the Consolidated Financial Statements).
(3) During the year ended October 31, 2024, the Bank recorded a gain of $174 million ($125 million net of income taxes) upon the remeasurement at fair value of the interest already held in CWB.
(4) During the year ended October 31, 2023, the Bank had concluded that it had lost significant influence over TMX Group Limited (TMX) and therefore ceased using the equity method to account for this investment. The Bank had designated its investment in TMX as a financial asset measured at fair value through other comprehensive income in an amount of $191 million. Upon the fair value measurement, a gain of $91 million ($67 million net of income taxes) had been recorded.
(5) During the year ended October 31, 2024, the Bank recorded a mark-to-market loss of $3 million ($2 million net of income taxes) on interest rate swaps used to manage the fair value changes of CWB's assets and liabilities that result in volatility of goodwill and capital on closing of the transaction. For additional information, see the CWB Transaction section.
(6) During the year ended October 31, 2024, the Bank recorded acquisition and integration charges of $18 million ($13 million net of income taxes) related to the CWB transaction.

(7) During the year ended October 31, 2023, the Bank had recorded $75 million in intangible asset impairment losses ($54 million net of income taxes) on technology development for which the Bank had decided to cease its use or development, and it had recorded $11 million in premises and equipment impairment losses ($8 million net of income taxes) related to right-of-use assets.

(8) During the year ended October 31, 2023, the Bank had recorded $35 million in litigation expenses ($26 million net of income taxes) to resolve litigations and other disputes arising from ongoing or potential claims against the Bank.

(9) During the year ended October 31, 2023, the Bank had recorded a $25 million expense ($18 million net of income taxes) related to the retroactive impact of changes to the *Excise Tax Act,* indicating that payment card clearing services rendered by a payment card network operator are subject to the goods and services tax (GST) and the harmonized sales tax (HST).

(10) During the year ended October 31, 2023, the Bank had recorded $15 million in charges ($11 million net of income taxes) for contract termination penalties and for provisions for onerous contracts.

(11) During the year ended October 31, 2023, the Bank had recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to the 1.5% increase in the statutory tax rate, which included the impact related to current and deferred taxes for fiscal 2022. For additional information on these tax measures, see the Income Taxes section.

Financial Disclosure

Disclosure Controls and Procedures

The Bank's financial information is prepared with the support of a set of disclosure controls and procedures (DC&P) that are implemented by the President and Chief Executive Officer (CEO) and by the Chief Financial Officer and Executive Vice-President, Finance (CFO). During the year ended October 31, 2024, in accordance with *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings* (National Instrument 52-109) released by the CSA, the design and operation of these controls and procedures were evaluated to determine their effectiveness.

As at October 31, 2024, the CEO and the CFO confirmed the effectiveness of the DC&P. These controls are designed to provide reasonable assurance that the information disclosed in annual and interim filings and in other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified by that legislation. These controls and procedures are also designed to ensure that such information is accumulated and communicated to the Bank's management, including its signing officers, as appropriate, to allow for timely decisions regarding disclosure.

This *Annual Report* was reviewed by the Bank's Disclosure Committee, Audit Committee, and the Board of Directors (the Board), which approved it prior to publication.

Internal Control Over Financial Reporting

The internal control over financial reporting (ICFR) is designed to provide reasonable assurance that the financial information presented is reliable and that the Consolidated Financial Statements were prepared in accordance with GAAP, which are based on IFRS Accounting Standards, unless indicated otherwise as explained on pages 14 to 20 of this MD&A. Due to inherent limitations of internal controls, the ICFR may not prevent or detect all misstatements in a timely manner.

The CEO and the CFO oversaw the evaluation work performed on the design and operation of the Bank's ICFR in accordance with National Instrument 52-109. The ICFR was evaluated in accordance with the control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO — 2013) for financial controls and in accordance with the control framework of the Control Objectives for Information and Related Technologies (COBIT) for information technology general controls.

Based on the evaluation results, the CEO and CFO concluded, as at October 31, 2024, that there are no material weaknesses, that the ICFR is effective and provides reasonable assurance that the financial reporting is reliable, and that the Bank's Consolidated Financial Statements were prepared in accordance with GAAP.

Changes to Internal Control Over Financial Reporting

The CEO and CFO also undertook work that enabled them to conclude that, during the year ended October 31, 2024, no changes were made to the ICFR that have materially affected, or are reasonably likely to materially affect, the design or operation of the ICFR.

Disclosure Committee

The Bank's Disclosure Committee assists the CEO and CFO by ensuring the design, implementation, and operation of the DC&P and ICFR. In so doing, the committee ensures that the Bank is meeting its disclosure obligations under current regulations and that the CEO and CFO are producing the requisite certifications.

Overview

Highlights

As at October 31 or for the year ended October 31 (millions of Canadian dollars, except per share amounts)	2024	2023[1]	% change
Operating results			
Total revenues	11,400	10,058	13
Income before provisions for credit losses and income taxes	5,346	4,305	24
Net income	3,816	3,289	16
Net income attributable to the Bank's shareholders and holders of other equity instruments	3,817	3,291	16
Return on common shareholders' equity[2]	17.2 %	16.3 %	
Dividend payout ratio[2]	40.1 %	42.7 %	
Operating leverage[2]	8.1 %	(5.8) %	
Efficiency ratio[2]	53.1 %	57.2 %	
Earnings per share			
Basic	$ 10.78	$ 9.33	16
Diluted	$ 10.68	$ 9.24	16
Operating results – Adjusted[3]			
Total revenues – Adjusted[3]	11,628	10,546	10
Income before provisions for credit losses and income taxes – Adjusted[3]	5,592	4,954	13
Net income – Adjusted[3]	3,716	3,363	10
Return on common shareholders' equity – Adjusted[4]	16.7 %	16.6 %	
Dividend payout ratio – Adjusted[4]	41.2 %	41.7 %	
Operating leverage – Adjusted[4]	2.4 %	(0.7) %	
Efficiency ratio – Adjusted[4]	51.9 %	53.0 %	
Diluted earnings per share – Adjusted[3]	$ 10.39	$ 9.46	10
Common share information			
Dividends declared	$ 4.32	$ 3.98	9
Book value[2]	$ 65.74	$ 60.40	
Share price			
High	$ 134.23	$ 103.58	
Low	$ 86.50	$ 84.97	
Close	$ 132.80	$ 86.22	
Number of common shares *(thousands)*	340,744	338,285	
Market capitalization	45,251	29,167	
Balance sheet and off-balance-sheet			
Total assets	462,226	423,477	9
Loans and acceptances, net of allowances	243,032	225,443	8
Deposits	333,545	288,173	16
Equity attributable to common shareholders	22,400	20,432	10
Assets under administration[2]	766,082	652,631	17
Assets under management[2]	155,900	120,858	29
Regulatory ratios under Basel III[5]			
Capital ratios			
Common Equity Tier 1 (CET1)	13.7 %	13.5 %	
Tier 1	15.9 %	16.0 %	
Total	17.0 %	16.8 %	
Leverage ratio	4.4 %	4.4 %	
TLAC ratio[5]	31.2 %	29.2 %	
TLAC leverage ratio[5]	8.6 %	8.0 %	
Liquidity coverage ratio (LCR)[5]	150 %	155 %	
Net stable funding ratio (NSFR)[5]	122 %	118 %	
Other information			
Number of employees – Worldwide (full-time equivalent)	29,196	28,916	1
Number of branches in Canada	368	368	–
Number of banking machines in Canada	940	944	–

(1) Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

(2) See the Glossary section on pages 130 to 133 for details on the composition of these measures.

(3) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.

(4) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.

(5) See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.

About National Bank

The Bank carries out its activities in four business segments: Personal and Commercial, Wealth Management, Financial Markets as well as U.S. Specialty Finance and International (USSF&I), which comprises the activities of the Credigy Ltd. (Credigy) and Advanced Bank of Asia Limited (ABA Bank) subsidiaries. Other operating activities, certain specified items, Treasury activities, and the operations of the Flinks Technology Inc. (Flinks) subsidiary are grouped in the *Other* heading of segment results. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy. For additional information, see the Business Segment Analysis section of this MD&A.

Objectives and 2024 Results

When setting its objectives, the Bank aims for a realistic challenge in the prevailing business environment by considering such factors as changes in banking industry financial results as well as the Bank's business development plan. When the Bank sets its medium-term objectives, it does not take into consideration specified items, if any, which are not reflective of the underlying financial performance of the Bank's operations. Management therefore excludes specified items when assessing the Bank's performance against its objectives.

For fiscal 2024, the Bank recorded $3,816 million in net income compared to $3,289 million in fiscal 2023, and its diluted earnings per share stood at $10.68 compared to $9.24 in fiscal 2023. The Bank's return on common shareholders' equity (ROE) was 17.2% in fiscal 2024 versus 16.3% in 2023. As for its adjusted diluted earnings per share, it stood at $10.39 in fiscal 2024, up 10% from $9.46 in 2023. Furthermore, adjusted ROE was 16.7% in 2024 compared to 16.6% in 2023.

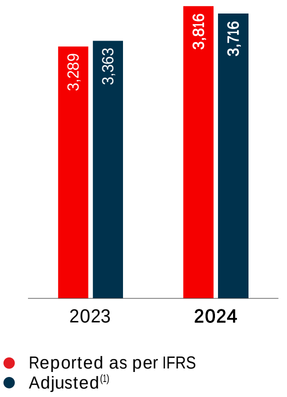
The following table compares the Bank's medium-term objectives with its fiscal 2024 results.

	Medium-Term Objectives		2024 Results
Growth in diluted earnings per share – Adjusted[1]	5 – 10%		10%
ROE – Adjusted[2]	15 – 20%		16.7%
Dividend payout ratio – Adjusted[2]	40 – 50%		41.2%
Capital ratios[3]	Strong	CET1 capital ratio[3]	13.7%
Liquidity ratios[3]	Strong	LCR[3]	150%

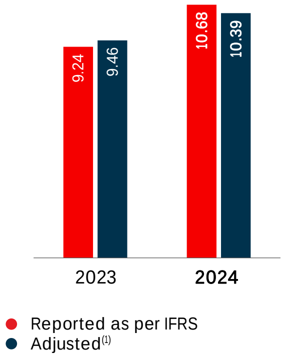
The Bank's financial results met all of its medium-term objectives. Adjusted diluted earnings per share for fiscal 2024 increased 10% year over year, which is at the upper end of the target, due to strong performance by all the business segments. For fiscal 2024, adjusted ROE was in the lower range of the target. The adjusted dividend payout ratio fell within the target distribution range, notably as a result of higher dividends paid during the fiscal year. The CET1 capital ratio and the LCR, at 13.7% and 150%, respectively, also met the objectives.

The Bank also examines its performance using the efficiency ratio and operating leverage. For fiscal 2024, the efficiency ratio was 53.1% compared to 57.2% in fiscal 2023, an improvement attributable to revenue growth in all business segments and to the adverse effect of the specified items reported in *Non-interest expenses* in 2023. As for the adjusted efficiency ratio, it stood at 51.9% in fiscal 2024 compared to 53.0% in fiscal 2023, demonstrating disciplined expense management by all the Bank's business segments. Also for fiscal 2024, operating leverage and adjusted operating leverage were positive at 8.1% and 2.4%, respectively, due to strong performance by all the business segments.

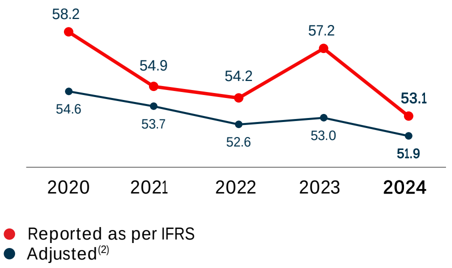
Net Income
Year ended October 31
(millions of Canadian dollars)



Diluted Earnings Per Share
Year ended October 31
(Canadian dollars)



Efficiency Ratio[4]
Year ended October 31
(%)



(1) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.
(2) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.
(3) See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
(4) See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Dividends

For fiscal 2024, the Bank declared $1,468 million in dividends to common shareholders (2023: $1,344 million), representing 40.1% of net income attributable to common shareholders (2023: 42.7%) and representing 41.2% of adjusted net income attributable to common shareholders (2023: 41.7%).

Solid Capital Levels[1]

As at October 31, 2024, the Bank's CET1, Tier 1, and Total capital ratios were, respectively, 13.7%, 15.9% and 17.0%, compared to ratios of, respectively, 13.5%, 16.0% and 16.8% as at October 31, 2023. The CET1 capital ratio increased since October 31, 2023, essentially due to the contribution from net income net of dividends and to common share issuances under the Stock Option Plan. These factors were partly offset by the organic growth in RWA and by the impact of implementing OSFI's revised market risk framework. The Tier 1 capital ratio was more negatively affected by the RWA growth and is down compared to October 31, 2023. The increase of the Total capital ratio is explained by the $500 million issuance of medium-term notes during the fiscal 2024.

As at October 31, 2024, the leverage ratio was 4.4%, stable compared to October 31, 2023, as growth in total exposure was offset by growth in Tier 1 capital.

High-Quality Loan Portfolio

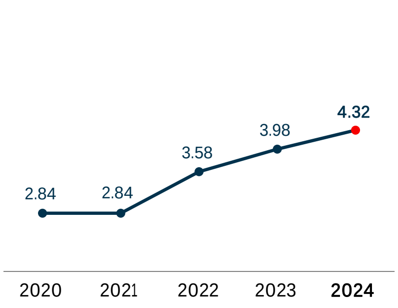
Loans, net of allowances for credit losses, accounted for 53% of the Bank's total assets and amounted to $243.0 billion as at October 31, 2024. For fiscal 2024, the Bank recorded $569 million in provisions for credit losses compared to $397 million in fiscal 2023. The increase was mainly due to provisions for credit losses on impaired loans excluding POCI loans[2], which amounted to $480 million in fiscal 2024, an increase of $235 million coming from Personal Banking (including credit card receivables) in a context of normalization of credit performance, from Commercial Banking as well as from the Financial Markets segment and the USSF&I segment. For fiscal 2024, the provisions for credit losses on impaired loans excluding POCI loans[2] represented 0.20% of average loans and acceptances, compared to 0.11% in fiscal 2023. Provisions for credit losses on non-impaired loans decreased by $84 million, mainly due to the more favourable impact of updated macroeconomic scenarios in 2024 and greater credit risk deterioration in fiscal 2023. This decrease was partly offset by the effects of the recalibration of certain risk parameters and by growth in the loan portfolios. Furthermore, provisions for credit losses on POCI loans increased by $21 million, due to favourable remeasurements of certain Credigy portfolios in fiscal 2023, mitigated by higher recoveries of credit losses in fiscal 2024 following repayments of Commercial Banking POCI loans. Gross impaired loans totalled $2,043 million as at October 31, 2024 compared to $1,584 million as at October 31, 2023 and represented 0.84% of total loans.

Risk Profile

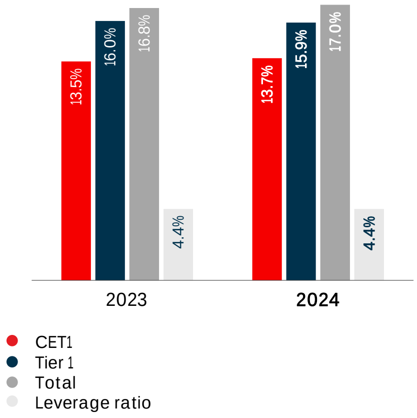
As at October 31 or for the year ended October 31

(millions of Canadian dollars)	2024		2023	
Provisions for credit losses	569		397	
Provisions for credit losses as a % of average loans and acceptances[2]	0.24	%	0.18	%
Provisions for credit losses on impaired loans excluding POCI loans as a % of average loans and acceptances[2]	0.20	%	0.11	%
Net write-offs excluding POCI loans as a % of average loans and acceptances[2]	0.16	%	0.07	%
Gross impaired loans as a % of total loans and acceptances[2]	0.84	%	0.70	%
Gross impaired loans	2,043		1,584	
Net impaired loans	1,629		1,276	

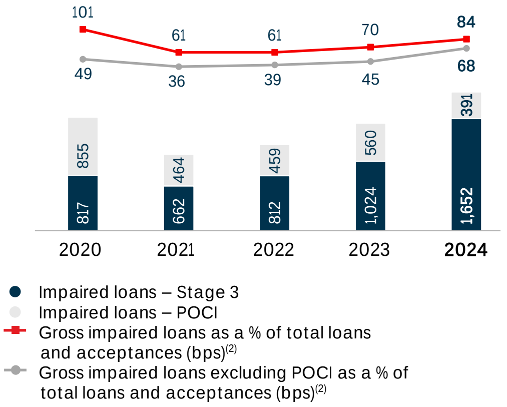
Annual Dividend Per Common Share
Year ended October 31
(Canadian dollars)



Evolution of Regulatory Ratios Under Basel III[1]
As at October 31



Gross Impaired Loans
As at October 31
(millions of Canadian dollars)



[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Economic Review and Outlook

Global Economy

Inflation continues to decline globally, allowing central banks to consider cutting interest rates. But despite the cuts announced to date, real rates remain restrictive in many regions, limiting the potential for a rapid economic recovery. This dynamic is particularly challenging in China, where weak foreign demand, reflected in low producer prices, is putting pressure on the economy. Added to this is a fragile domestic situation for the Chinese economy despite the authorities' recovery efforts, particularly a struggling real estate market, which contributes to disappointing growth prospects for the country. In Europe, the International Monetary Fund (IMF) expects fiscal consolidation by 2025 after years of government profligacy. While some are skeptical about the chances of this happening, concerns about potential disruptions in the bond market could push governments towards greater fiscal discipline. Such discipline could weigh on European growth in the coming quarters. These challenges are compounded globally by the uncertainty created by the new U.S. administration, particularly the potential for tariffs. In our scenario, this translates into a rather lackluster global growth in 2024 (3.2%)[(1)] and 2025 (2.9%)[(1)].

The U.S. economy continues to stand out, showing strength that continues to confound skeptics. GDP grew 2.8% on an annualized basis in the third quarter. This strong performance coincides with a government that has put pressure on the spending accelerator, contradicting the IMF's April forecast of a significant improvement in the U.S. government structural deficit in 2024. In addition to governmental spending, consumer spending also remained strong, growing at an annualized rate of 3.7%, the strongest in six quarters. But some consumers seem to be running out of steam, as evidenced by the very low savings rate and the growing number of people in default. We believe that consumption will depend on developments in the labour market in the coming months. On this front, the news is mixed. The unemployment rate has been rising in recent months but remains low on a historical basis. Workers perceive that it is increasingly difficult to find a job in a context where a growing number of businesses are saying that their sales level is their main issue. On the face of it, the Republican sweep in the presidential elections suggests that they have a free hand to implement the new president-elect's promises. However, investors remain vigilant about the potential fiscal largesse of the next president, and this has been reflected in interest rates, which have been rising again, leading to deteriorating financing conditions. Many question the ability of the U.S. Federal Reserve to lower interest rates, especially since progress on inflation could be hampered by tariffs and action against illegal workers. Overall, while the government may continue to support growth, high interest rates will remain a headwind for the economy. Moreover, trade tensions could lead to deteriorating financial conditions. We therefore expect the economy to slow from 2.8%[(1)] in 2024 to 1.9%[(1)] in 2025.

Canadian Economy

In Canada, inflation has remained within the central bank's target range (1% to 3%) since the beginning of the year, falling even below 2% in September. This demonstrates the effectiveness of the central bank's restrictive interest rate policy. However, this containment of inflation had a cost on growth, as preliminary data in the third quarter showed that the economy continues to grow below its potential, a trend observed since 2022. At the same time, the labour market is showing no signs of stabilization, as evidenced by the continued decline in the employment rate, including that of the 25-54 age group. We do not expect a recovery in the near term. Indeed, job offers in the private sector are declining rapidly, and hiring intentions remain largely insufficient in the face of remarkable population growth. Business creation also remains weak, reflecting a business environment degraded by an overly restrictive monetary policy. As a result, the Bank of Canada should celebrate its victory over inflation and continue to lower its policy rate at a steady pace in order to bring its monetary policy to neutral as soon as possible, which should lead to slightly stronger growth in the second half of the year. The federal government's announced cap on immigration could reduce economic growth slightly in 2025, but on the other hand limit the increase in the unemployment rate as many newcomers are currently on the sidelines in an unfavourable hiring climate. In the meantime, we expect economic growth of only 1.0%[(1)] in 2024 and 1.3%[(1)] in 2025, which would translate into an unemployment rate close to 7%[(1)] in 2025.

Quebec Economy

GDP growth in Quebec was encouraging in July, with a 0.3% increase. However, this rebound followed a stagnation in the previous two months. Growth for 2024 overall is still expected to be sluggish given the restrictive monetary policy. However, Quebec seems to be doing well on a relative basis. In October, the province's unemployment rate was the lowest in Canada. GDP per capita is also more resilient in the province than in the country as a whole in the current cycle, i.e. since 2019. This outperformance is driven by strong economic fundamentals. First, the province's economy is one of the most diversified jurisdictions in North America, making it less vulnerable to economic cycle fluctuations and potentially escalating trade tensions. In addition, the level of household debt in Quebec is lower than the Canadian average and the province has the largest proportion of dual-income households in the country. Moreover, the resale market was reinvigorated during the year in the wake of interest rate cuts, in contrast to the trend, and probably helped by housing affordability, which is less problematic than elsewhere. The much higher savings rate than the national average provides a cushion that can ease the shock to consumption should the economic backdrop further deteriorate. We expect slow growth in 2024 and 2025 (1.2%[(1)] and 1.0%[(1)] respectively). Considering that the province's population growth is lower than the Canadian average, this would be sufficient to allow Quebec to maintain an unemployment rate that is comfortably below the national average for these two years, namely 5.3%[(1)] in 2024 and 6.1%[(1)] in 2025 (versus 6.3%[(1)] and 7.1%[(1)], respectively, for Canada).

[(1)] Real GDP growth forecasts, National Bank Financial's Economics and Strategy group

Financial Analysis

Consolidated Results

Year ended October 31 (millions of Canadian dollars)	2024	2023[1]	% change
Operating results			
Net interest income	**2,939**	3,586	**(18)**
Non-interest income	**8,461**	6,472	**31**
Total revenues	**11,400**	10,058	**13**
Non-interest expenses	**6,054**	5,753	**5**
Income before provisions for credit losses and income taxes	**5,346**	4,305	**24**
Provisions for credit losses	**569**	397	**43**
Income before income taxes	**4,777**	3,908	**22**
Income taxes	**961**	619	**55**
Net income	**3,816**	3,289	**16**
Diluted earnings per share *(dollars)*	**10.68**	9.24	**16**
Taxable equivalent basis[2]			
Net interest income	**79**	332	
Non-interest income	**306**	247	
Income taxes	**385**	579	
Impact of taxable equivalent basis on net income	**–**	–	
Specified items[2]			
Amortization of the subscription receipt issuance costs	**(14)**	–	
Gain on the fair value remeasurement of equity interests	**174**	91	
Management of the fair value changes related to the CWB acquisition	**(3)**	–	
CWB acquisition and integration charges	**(18)**	–	
Impairment losses on intangible assets and premises and equipment	**–**	(86)	
Litigation expenses	**–**	(35)	
Expense related to changes to the *Excise Tax Act*	**–**	(25)	
Provisions for contracts	**–**	(15)	
Specified items before income taxes	**139**	(70)	
Income taxes related to the Canadian government's 2022 tax measures	**–**	24	
Income taxes on specified items	**39**	(20)	
Specified items after income taxes	**100**	(74)	
Operating results – Adjusted[2]			
Net interest income – Adjusted	**3,032**	3,918	**(23)**
Non-interest income – Adjusted	**8,596**	6,628	**30**
Total revenues – Adjusted	**11,628**	10,546	**10**
Non-interest expenses – Adjusted	**6,036**	5,592	**8**
Income before provisions for credit losses and income taxes – Adjusted	**5,592**	4,954	**13**
Provisions for credit losses	**569**	397	**43**
Income before income taxes – Adjusted	**5,023**	4,557	**10**
Income taxes – Adjusted	**1,307**	1,194	**9**
Net income – Adjusted	**3,716**	3,363	**10**
Diluted earnings per share – Adjusted *(dollars)*	**10.39**	9.46	**10**
Average assets[3]	**457,262**	430,646	**6**
Average loans and acceptances[3]	**234,180**	215,976	**8**
Average deposits[3]	**315,605**	284,570	**11**
Operating leverage[4]	**8.1 %**	(5.8) %	
Operating leverage – Adjusted[5]	**2.4 %**	(0.7) %	
Efficiency ratio[4]	**53.1 %**	57.2 %	
Efficiency ratio – Adjusted[5]	**51.9 %**	53.0 %	

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.

[3] Represents an average of the daily balances for the period.

[4] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[5] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.

Analysis of Consolidated Results

Financial Results

The Bank's net income for fiscal 2024 was $3,816 million, up 16% from $3,289 million in fiscal 2023. This increase is explained by revenue growth in all business segments, mitigated by higher non-interest expenses, provisions for credit losses and income taxes. Income before provisions for credit losses and income taxes was up 24% compared to fiscal 2023.

Adjusted net income for the year ended October 31, 2024 was $3,716 million, up 10% from $3,363 million in fiscal 2023, mainly attributable to the good performance of all business segments. Specified items [1] had a favourable impact of $100 million on net income in fiscal 2024, while they had an unfavourable impact of $74 million on net income in fiscal 2023. Adjusted income before provisions for credit losses and income taxes rose 13% compared to fiscal 2023.

Total Revenues

Total revenues for fiscal 2024 amounted to $11,400 million compared to $10,058 million in fiscal 2023, an increase of $1,342 million or 13% that was driven by revenue growth in all of the Bank's business segments. For additional information on total revenues, see Table 2 on page 122. Adjusted total revenues in 2024 were $11,628 million, up $1,082 million or 10% from $10,546 million for the prior year.

Net Interest Income

For fiscal 2024, net interest income was $2,939 million, down 18% from $3,586 million (Table 3, page 122). Net interest income in fiscal 2024 included $14 million representing the amortization of the issuance costs for the subscription receipts issued in connection with the agreement to acquire CWB. Adjusted net interest income totalled $3,032 million in fiscal 2024, down 23% from $3,918 million in fiscal 2023, partly due to the discontinuation of the use of the taxable equivalent method to adjust Canadian dividend income received after January 1, 2024 (for additional information, see the Income Tax section).

In the Personal and Commercial segment, net interest income increased $266 million or 8% to $3,587 million in fiscal 2024. The increase was primarily driven by the growth in personal and commercial loans and deposits of 6% and 5%, respectively, compared to fiscal 2023. The growth in loans came mainly from mortgage lending and business and government lending. In addition, the transition from bankers' acceptances to loans referencing the Canadian Overnight Repo Rate Average (CORRA) contributed to the increase in net interest income in the Personal and Commercial segment. In the Wealth Management segment, net interest income grew 7% to $833 million, as a result of higher loan and deposit volumes.

In the Financial Markets segment, net interest income on a taxable equivalent basis was down considerably from fiscal 2023, mainly due to trading activities and should be examined together with the other items of trading activity revenues. In the USSF&I segment, net interest income rose by $171 million or 15%, as a result of the business growth at the ABA Bank subsidiary, in particular the sustained increase in assets, the increase in net interest income of the Credigy subsidiary stemming from higher loan volumes as well as dividend income recorded in fiscal 2024 related to an investment in a financial group.

Non-Interest Income

For fiscal 2024, non-interest income was $8,461 million, up 31% from $6,472 million for the prior year. For additional information on non-interest income, see Table 4 on page 123. Adjusted non-interest income was $8,596 million in fiscal 2024, up 30% from fiscal 2023.

Underwriting and advisory fees were up 11% compared to 2023, notably due to greater capital markets activity partly offset by lower merger and acquisition revenues in the Financial Markets segment. Securities brokerage commissions were up 11%, primarily due to increased client activity in the Wealth Management segment. Mutual fund revenues and investment management and trust services fees totalled $1,779 million, up $196 million, as a result of the growth in assets under administration and assets under management caused by the rise in stock markets during fiscal 2024 as well as positive net inflows for the various solutions.

Credit fee revenues were up $12 million, while revenues from acceptances and letters of credit and guarantee were down by $126 million compared to fiscal 2023. This decrease is explained by the revenues from bankers' acceptances in Commercial Banking and in the Wealth Management and Financial Markets segments in connection with the transition of bankers' acceptances to CORRA loans. Card revenues grew 5% in fiscal 2024 due to a sharp increase in purchasing volumes. In addition, revenues from deposit and payment service charges decreased by 2%.

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures.

Non-interest income related to trading activity on a taxable equivalent basis totalled $4,633 million, up from $2,943 million in 2023 (Table 5, page 124). Including the portion recognized in net interest income, trading activity revenues on a taxable equivalent basis amounted to $1,627 million in 2024, an increase of $179 million compared to fiscal 2023. This increase was mainly attributable to equities revenues and interest rate and credit revenues in the Financial Markets segment. In addition, trading activity revenues on a taxable equivalent basis from the other segments decreased year over year.

Net gains on non-trading securities were up $248 million compared to fiscal 2023, mainly as a result of Treasury activities and a gain of $174 million recorded on the fair value remeasurement of the Bank's interest in CWB. In addition, insurance revenues and foreign exchange revenues grew by $14 million and $42 million, respectively, compared to fiscal 2023. The share of net income of associates and joint ventures decreased by $3 million compared to the prior year. Lastly, other revenues amounted to $180 million in fiscal 2024, down $81 million compared to 2023. This decrease was primarily due to a gain of $91 million in fiscal 2023 on the fair value remeasurement of the Bank's interest in TMX, partly offset by the higher favourable impact of the fair value remeasurement of certain Credigy portfolios in fiscal 2024.

Non-Interest Expenses

Non-interest expenses totalled $6,054 million in fiscal 2024, up $301 million or 5% from the prior year (Table 6, page 124). Non-interest expenses in fiscal 2024 included charges of $18 million related to the acquisition and integration of CWB, while the following specified items had been recorded in fiscal 2023: impairment losses on premises and equipment and intangible assets of $86 million, litigation expenses of $35 million, a $25 million expense related to changes to the *Excise Tax Act* and provisions for contracts of $15 million. Adjusted non-interest expenses stood at $6,036 million in fiscal 2024, up $444 million or 8% from $5,592 million in fiscal 2023.

For fiscal 2024, compensation and employee benefits totalled $3,725 million, an increase of 9% compared to the prior year, mainly due to salary growth as well as variable compensation related to revenue growth. Occupancy expenses, including depreciation expense on premises and equipment, increased, partly due to expenses related to the Bank's new head office building and the expansion of the banking network at the ABA Bank subsidiary. The decrease in technology expenses, including depreciation expense, was attributable to impairment losses on intangible assets recorded in 2023, despite significant investments made to support the Bank's technological evolution and business development plan made during fiscal 2024. Communications expenses remained relatively stable compared to prior year, while professional fees rose, mainly due to the Bank's technological evolution, the increase in external management fees in the Wealth Management segment, and charges of $18 million related to the acquisition and integration of CWB recorded in fiscal 2024. In addition, advertising and business development expenses were up and the decrease in other expenses compared to fiscal 2023 is partly explained by litigation expenses, an expense related to changes to the *Excise Tax Act* and provisions for contracts recorded in fiscal 2023.

Provisions for Credit Losses

For fiscal 2024, provisions for credit losses totalled $569 million compared to $397 million in fiscal 2023 (Table 7, page 125). The increase was mainly due to provisions for credit losses on impaired loans excluding POCI loans [(1)] of $480 million in fiscal 2024, up $235 million. This increase comes from Personal Banking (including credit card receivables), in an environment characterized by a normalization of credit performance, and Commercial Banking, for $77 million and $58 million, respectively, Financial Markets for $31 million and USSF&I for $68 million. Provisions for credit losses on non-impaired loans decreased by $84 million, mainly due to the more favourable impact of the updated macroeconomic scenarios in 2024 and a more significant deterioration in credit risk in fiscal 2023. These declines were offset by the effects of the recalibration of certain risk parameters and the growth in loan portfolios. In addition, provisions for credit losses on POCI loans increased by $21 million, due to the favourable remeasurement of certain Credigy portfolios in fiscal 2023, partly offset by higher credit loss recoveries in fiscal 2024 following repayments of POCI loans in Commercial Banking. For fiscal 2024, provisions for credit losses on impaired loans excluding POCI loans[(1)] represented 0.20% of average loans and acceptances, compared to 0.11% in the prior year.

Income Taxes

Detailed information about the Bank's income taxes is provided in Note 26 to the Consolidated Financial Statements. For fiscal 2024, income taxes stood at $961 million, representing an effective income tax rate of 20%, compared to income taxes of $619 million and an effective income tax rate of 16% in fiscal 2023. The change in effective income tax rate stems mainly from a lower level and proportion of tax-exempt income in fiscal 2024 reflecting the denial of the deduction in respect of dividends covered by Bill C-59 since January 1, 2024, partly offset by the impact of the Canadian government's 2022 tax measures recorded in the first quarter of 2023, namely the Canada Recovery Dividend and the additional 1.5% tax on banks and life insurers.

[(1)] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Business Segment Analysis

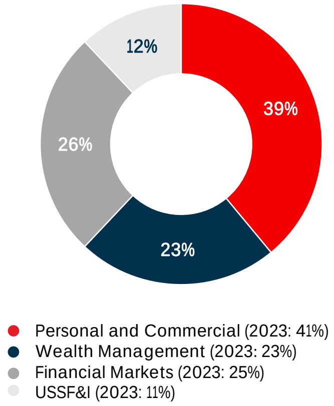
The Bank carries out its activities in four business segments, which are defined below. For presentation purposes, other activities are grouped in the *Other* heading of segment results. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy.

National Bank of Canada

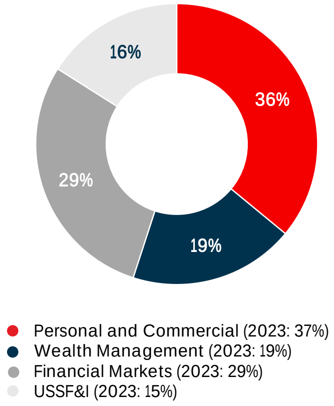
Business Segments	Personal and Commercial	Wealth Management	Financial Markets	U.S. Specialty Finance and International
Core Activities	› Banking services › Credit services › Financing › Investment solutions › Insurance	› Full-service brokerage › Private banking › Direct brokerage › Investment solutions and transactional products › Administrative and trade execution services › Trust and estate services	› Equities, interest rate and credit products, commodities and foreign exchange › Corporate banking › Investment banking	› U.S. Specialty Finance – Credigy › International – ABA Bank (Cambodia) – Minority interests in emerging markets

Other: Treasury activities, liquidity management, Bank funding, asset/liability management, Flinks Technology Inc. subsidiary activities (a fintech specialized in financial data aggregation and distribution), and corporate units.

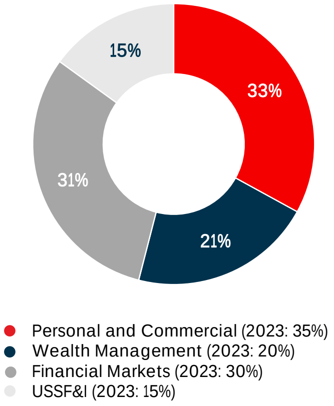
Total Revenues by Business Segment[(1)]
Year ended October 31, 2024



Income Before Provisions for Credit Losses and Income Taxes by Business Segment[(1)]
Year ended October 31, 2024



Net Income by Business Segment[(1)]
Year ended October 31, 2024

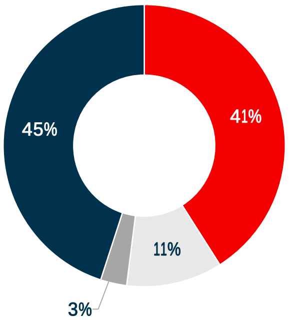


[(1)] Excluding the *Other* heading.

Personal and Commercial

The Personal and Commercial segment meets the financial needs of close to 2.8 million individuals and over 148,000 businesses across Canada. These clients entrust the Bank to manage, invest, and safeguard their assets and to finance their projects. Clients turn to the Bank's experienced advisors who take the time to understand their specific needs and help them reach their financial goals. Thanks to the Bank's convenient self-banking channels, 368 branches, and 940 banking machines across Canada, clients can do their daily banking whenever and wherever they wish.

Total Revenues by Category
Year ended October 31, 2024



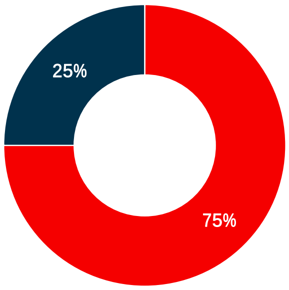
- ● Retail (2023: 42%)
- ● Payment Solutions (2023: 11%)
- ● Insurance (2023: 2%)
- ● Commercial Banking (2023: 45%)

$4,673 million
Total revenues

$2,187 million
Income before provisions for credit losses and income taxes

$1,343 million
Net income

Total Revenues by Geographic Distribution
Year ended October 31, 2024



- ● Province of Quebec (2023: 77%)
- ● Other provinces (2023: 23%)

Personal Banking
Personal Banking provides a complete range of financing and investment products and services to help clients reach their financial goals throughout every stage in their lives. It offers everyday transaction solutions, mortgage loans and home equity lines of credit, consumer loans, payment solutions, savings and investment solutions as well as a range of insurance products.

Commercial Banking
Commercial Banking serves the financial needs of small- and medium-sized enterprises (SMEs) and large corporations, helping them to achieve growth. It offers a full line of financial products and services, including credit, deposit, and investment solutions as well as international trade, foreign exchange transaction, payroll, cash management, insurance, electronic transaction, and complementary services. With deep roots in the entrepreneur community for over 160 years, Commercial Banking has the leading franchise in core Quebec market.

Key Success Factors

- › Consistent approach that balances growth in loans volumes, margins, and credit quality.
- › Strong position in our core Quebec market thanks to a full range of personal and commercial banking services.
- › Well-established and enduring client relationships grounded by a vast sales force in Quebec consisting of both generalists and specialists, positioning the Bank to offer the best advice to clients.
- › Unmatched closeness to Quebec entrepreneurs, with leading expertise in business lending and risk management solutions.
- › Distinctive informational and transactional digital experience tailored to client needs.
- › Client satisfaction drives our decisions and actions, with a focus on accessibility, responsibility and advice.

Economic and Market Review

In Canada, inflation has stayed within the central bank's target range (1% to 3%) since the start of the year and even fell below 2% in September. This underscores the effectiveness of the restrictive interest rate applied by the central bank. However, this control over inflation has taken its toll on growth, with the economy continuing to grow at a pace that falls short of its potential, a trend that began in 2022. At the same time, the labour market deteriorated over this period, and any signs of stabilization are yet to appear, as corporate hiring intentions remain below their historical average. Business investment continues to be held back by high interest rates, much like business creation. As a result, the Bank of Canada is expected to take advantage of the progress made on inflation and continue steadily lowering its key interest rate in order to neutralize monetary policy as soon as possible. The start of the monetary easing cycle seemed to have had minimal impact on the housing market in recent months, due in part to lingering affordability challenges, but the data on existing home sales in October reveal a notable upturn in activity that could continue through to 2025, provided that the deterioration in the labour market remains limited. Following years of record population growth, the federal government's new immigration policy may reduce economic growth slightly in 2025 but also limit any increase in the unemployment rate, as many new arrivals currently find themselves on the sidelines in an unfavourable hiring climate. Companies are faced with a glaring productivity problem and can no longer rely on immigration to support their growth, so they will need to innovate more and make significant investments in operations. Fortunately, they can count on an improved interest rate environment.

The economic environment in 2024 and the outlook for 2025 are discussed in more detail in the Economic Review and Outlook section on page 24.

Objectives and Strategic Priorities

The Personal and Commercial segment is targeting growth by becoming a more simple, efficient bank focused on constantly improving the client experience.

	2024 Achievements and Highlights	2025 Priorities
Accelerate net client acquisition	› Grew in terms of total client acquisition: • Enhanced our targeted coverage in growth markets and high-growth segments, including outside Quebec; • Improved the enrolment experience for our newcomer clients, including a new guaranteed investment certificate (GIC) product; • Deployed distinctive banking offers to our diverse clienteles of professional women and women entrepreneurs; • Increased familiarity with and consideration for the brand; • Continuously improved our digital enrolment journeys. › Improved accessibility by developing our technological capabilities: • New appointment-booking experience free of any geographical constraints; • Enhanced remote authentication. › Expanded our sales and sales support teams in Western Canada for our key Commercial Banking sectors. › Achieved greater synergies and business opportunities for our joint PB1859 and Commercial Banking clients. › Accelerated our green loan certifications to the Real Estate portfolio.	› Enhance our differentiation and brand awareness to accentuate our impact in and outside Quebec. › Optimize our physical distribution network across the Bank to maximize our impact/visibility/awareness within our markets and amplify synergies. › Continue recruiting talented employees in targeted markets outside Quebec to drive our strategies and encourage client acquisition. › Train our consulting workforce and support our clients in the transition to energy efficiency through green financing and responsible investing. › Accelerate the transformation of our credit card ecosystem.
Improve client engagement	› Strengthened our advisory services by focusing on professionalizing our training plans and the continuing professional development of our advisors. › Finalized the deployment of our New Experience across all our branches, supporting our experts and promoting digital engagement for our clients. › Migrated most of our Commercial Banking clients to the new digital experience with modernized features. › Continued to modernize our cash management solutions for our Large Corporations. › Increased the number of clients reached on our mobile platforms by developing personalized advice banners and relevant offers. › Added several real-time transactional features to online banking, mainly for our investment and banking solutions. › Provided ongoing support to clients in fraud prevention and cybersecurity through our advice and content.	› Strengthen development of our advisory force to continue proactively supporting our investing clients. › Accelerate growth in commercial deposits through our cash management consultants. › Continue to roll out a new learning platform and experience to drive development and internal mobility of our employees. › Enhance the client and advisory experience on our digital channels and digitize new features. › Enhance the client experience in mortgage renewals. › Continue migrating business clients toward digital banking and continue to add self-service features to our transactional sites. › Continue our efforts to stimulate financial inclusion, particularly among vulnerable client groups.

	2024 Achievements and Highlights	2025 Priorities
Leverage our simplification, and enhance operational efficiency	› Simplified and modernized our banking offers and services. › Continued to simplify and automate our financing processes to reduce lead times for clients. › Improved accessibility at our Client Contact Centres by deploying modernized capabilities. › Developed our Commercial Banking distribution model outside Quebec in order to tailor service delivery to the potential market and to client needs.	› Implement a major upgrade of the technological environment of all our Client Contact Centres. › Modernize our business capabilities by enhancing our technological ecosystems, in particular in business financing, cash management, fraud management, and payment systems. › Focus on leveraging hyperautomation to improve our tools and processes in order to grow and generate efficiencies. › Simplify how we carry out transactions and transform our assisted service offering.

Segment Results – Personal and Commercial

Year ended October 31 (millions of Canadian dollars)	2024	2023[1]	% change
Net interest income	3.587	3,321	8
Non-interest income	1,086	1,083	–
Total revenues	4,673	4,404	6
Non-interest expenses	2,486	2,462	1
Income before provisions for credit losses and income taxes	2,187	1,942	13
Provisions for credit losses	335	238	41
Income before income taxes	1,852	1,704	9
Income taxes	509	468	9
Net income	1,343	1,236	9
Less: Specified items after income taxes[2]	–	(49)	
Net income – Adjusted[2]	1,343	1,285	5
Net interest margin[3]	2.33 %	2.35 %	
Average interest-bearing assets[3]	153,980	141,458	9
Average assets[4]	158,917	148,511	7
Average loans and acceptances[4]	157,286	147,716	6
Net impaired loans[3]	505	285	77
Net impaired loans as a % of total loans and acceptances[3]	0.3 %	0.2 %	
Average deposits[4]	90,382	85,955	5
Efficiency ratio[3]	53.2 %	55.9 %	
Efficiency ratio – Adjusted[5]	53.2 %	54.4 %	

(1) For the year ended October 31, 2023, certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

(2) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures. During fiscal 2023, the segment had recorded, in the *Non-interest expenses* item, $59 million in intangible asset impairment losses ($42 million net of income taxes) on technology development as well as charges of $9 million ($7 million net of income taxes) for contract termination penalties.

(3) See the Glossary section on pages 130 to 133 for details on the composition of these measures.

(4) Represents an average of the daily balances for the period.

(5) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.

Financial Results

In the Personal and Commercial segment, net income totalled $1,343 million in fiscal 2024, a 9% increase from $1,236 million in fiscal 2023 that was attributable to the $269 million or 6% growth in total revenues, partly offset by higher provisions for credit losses. Furthermore, adjusted net income was up 5% compared to $1,285 million in fiscal 2023, which excluded the specified items recorded in fiscal 2023. Income before provisions for credit losses and income taxes amounted to $2,187 million in fiscal 2024, up 13% from fiscal 2023. The increase in total revenues was essentially attributable to a $266 million increase in net interest income that was mainly driven by growth in personal and commercial loans and deposits, which more than offset the impact of the decrease of the net interest margin to 2.33% compared to 2.35% in 2023.

For fiscal 2024, the Personal and Commercial segment's non-interest expenses stood at $2,486 million, a 1% increase compared to the prior year that was mainly due to higher compensation and employee benefits resulting from salary increases and greater investments made as part of the segment's technological evolution. These increases were offset by specified items totalling $68 million recorded in fiscal 2023. The efficiency ratio of 53.2% improved by 2.7 percentage points compared to October 31, 2023. Excluding the 2023 specified items, the segment's adjusted non-interest expenses were up 4% compared to $2,394 million in 2023, and the adjusted efficiency ratio improved by 1.2 percentage points compared to 54.4% in 2023.

The Personal and Commercial segment recorded provisions for credit losses of $335 million in 2024, which is $97 million more than the $238 million recorded in 2023. This increase was due to higher provisions for credit losses on impaired loans in Personal Banking (including credit card receivables), reflecting a normalization of credit performance, as well as on impaired loans in Commercial Banking. In addition, provisions for credit losses on non-impaired loans were down compared to fiscal 2023 and higher credit loss recoveries were recorded in fiscal 2024 as a result of repayments of POCI loans in Commercial Banking.

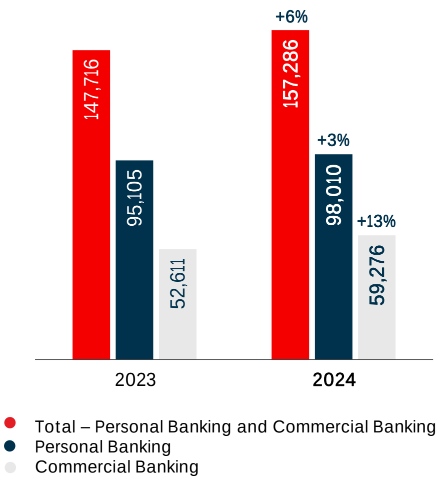
Personal Banking

Personal Banking's total revenues amounted to $2,587 million in 2024, a 7% increase from $2,427 million in 2023. The rise in net interest income was driven by a 3% growth in loan volumes, a 4% growth in deposit volumes, as well as higher deposit and loan margins. The $69 million increase in non-interest income was primarily attributable to insurance revenues, higher credit card revenues due to a sharp increase in purchasing volumes and internal commission revenues related to the distribution of Wealth Management products. Non-interest expenses decreased by $12 million in 2024. Higher compensation and employee benefits resulting from salary increases and greater investments made as part of the segment's technological evolution of the segment were partly offset by specified items recorded in fiscal 2023.

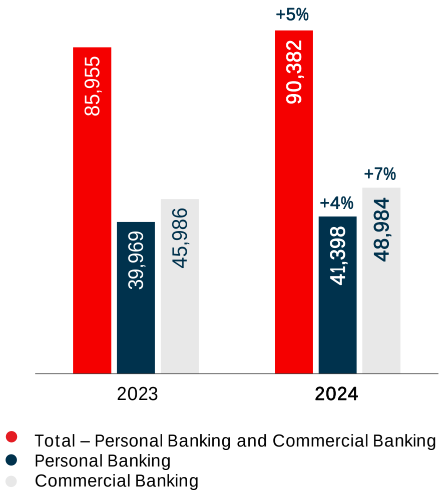
Commercial Banking

Commercial Banking's total revenues amounted to $2,086 million in 2024, rising 6% from $1,977 million in 2023. The increase in net interest income was essentially driven by 13% growth in loans and 7% growth in deposits, as well as the transition from bankers' acceptances to CORRA loans, partly offset by a lower loan margin. Non-interest income was down $66 million compared to fiscal 2023, mainly due to lower bankers' acceptance revenues resulting from the transition from bankers' acceptances to CORRA loans. Non-interest expenses were up $36 million, mainly as a result to higher compensation and employee benefits due to salary increases as well as investments made as part of the segment's technological evolution, partly offset by the impact of the specified items recorded in fiscal 2023.

Average Loans and Acceptances
Year ended October 31
(millions of Canadian dollars)



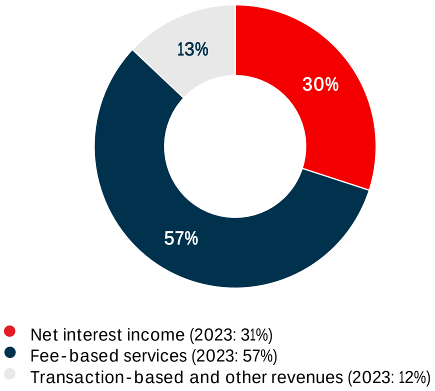
Average Deposits
Year ended October 31
(millions of Canadian Dollars)



Wealth Management

As a leader in Quebec and firmly established across Canada, the Wealth Management segment serves all market segments by emphasizing advisory-based service and close client relationships. It delivers a full range of wealth management products and solutions through an omnichannel distribution network and a differentiated business model. Wealth Management also provides services to independent advisors and institutional clients.

Total Revenues by Category
Year ended October 31, 2024

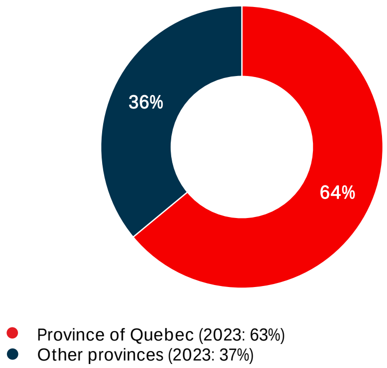


$2,786 million
Total revenues

$1,153 million
Income before provisions for credit losses and income taxes

$837 million
Net income

Total Revenues by Geographic Distribution
Year ended October 31, 2024



Full-Service Brokerage
With the largest network of wealth management advisors in Quebec and 100 points of service across Canada, National Bank Financial Wealth Management (NBFWM) is serving nearly 240,000 clients. The team of advisors provides portfolio management services, financial and succession planning services and insurance services, while mobilizing a wide range of expertise available within the Bank to meet the specific needs of clients.

Private Banking
Private Banking 1859 (PB1859) offers highly personalized wealth management services and advice across Canada, helping affluent clients benefit from comprehensive management of their personal and family fortunes. A true industry leader across Canada with a broad offering of financial solutions and strategies that include wealth protection, growth and transition.

Key Success Factors

› Using an open architecture model, NBI is the largest investment fund management company in Canada to rely exclusively on external portfolio managers to manage its investments.

› With 900 wealth management advisors across Canada, NBFWM is unique in its human-centric approach, building long-lasting relationships and delivering personalized solutions to clients at every stage of their lives.

› A state-of-the-art digital tool that differentiates in the market by providing convenient and unique access to a wide range of services for independent wealth management firms.

› Strong synergies with the Personal and Commercial and Financial Markets segments, allowing a holistic service offering.

Direct Brokerage
National Bank Direct Brokerage (NBDB) offers a multitude of financial products and investment tools to self-directed investing across Canada through its digital platform. NBDB allows clients who wish to take over the management of their investments online or through telephone agents to support self-directed investors on more complex transactions.

Investment Solutions and Transactional Products
National Bank Investments Inc. (NBI) manufactures and offers investment funds, exchange-traded funds (ETFs), investment solutions, and services to consumers and institutional investors through the Bank's internal and external networks. NBI is Canada's largest investment fund manager to entrust the management of its investments exclusively to external portfolio managers. Wealth Management also offers a wide range of investment products in collaboration with various internal sectors such as guaranteed investment certificates (GICs), mutual funds, notes, structured products and monetization vehicles.

Administrative and Trade Execution Services
National Bank Independent Network (NBIN) is a Canadian leader in providing administrative services such as trade execution, custodial services, and brokerage solutions to many independent financial services firms across Canada, in particular to introducing brokers, portfolio managers, and investment fund managers.

Trust and Estate Services

Through National Bank Trust Inc. (NBT), Wealth Management provides retail and institutional clients with turnkey services and solutions. Its team of experts offers a full range of high value-added services designed to consolidate, protect, and transfer its customers' wealth and give them peace of mind. NBT also provides integrated trustee and depository services as well as securities custody services.

Economic and Market Review

South of the border, the U.S. economy continues to surprise on account of its strength, supported by substantial fiscal spending and by household consumption that has remained robust to date. Progress has been made on inflation over the past year, but this normalization has stalled in recent months, suggesting a slower pace of monetary easing than initially anticipated. It is therefore still too early to celebrate a soft landing of the U.S. economy. Even so, the S&P 500 reached record levels following Donald Trump's election to the White House, which also took the S&P/TSX to new heights. In Canada, inflation recently fell below the central bank's target, attesting to the effectiveness of monetary policy. However, restrictive interest rates have severely limited growth in the Canadian economy, and the labour market has suffered as a result. Against this backdrop, the Bank of Canada is expected to continue its cycle of monetary easing in the months ahead in order to breathe new life into the Canadian economy. Lower interest rates, combined with marginal growth in house prices, have slightly improved affordability in recent quarters. However, the Canadian real estate market remains largely out of reach to first-time buyers. Consumer confidence has improved in recent months due to a lower inflation rate and interest rate cuts, but it nevertheless remains below the historical average.

The economic environment in 2024 and the outlook for 2025 are discussed in more detail in the Economic Review and Outlook section on page 24.

Objectives and Strategic Priorities

One of the organization's main priorities in its three-year plan is to stimulate accelerated growth in savings and investment. This ambition is part of a changing economic environment, shaped by major industry trends. On the one hand, the need for differentiation is becoming crucial in a sector where consolidation is increasingly taking place. On the other hand, adapting to demographic changes and specific financial behaviors is an unavoidable challenge. In addition, evolving governance and regulatory tightening impose new requirements. Finally, emerging technologies, which could change ways of working, offer the organization strategic opportunities to position itself at the forefront of the industry.

	2024 Achievements and Highlights	2025 Priorities
Continue to develop our distribution model by positioning advisors for success	› Continued our recruitment program for wealth advisors designed to attract experienced teams and talent. This strategic approach addresses the multi-generational needs of our clients while creating a collaborative and dynamic environment between teams. › Develop internal tools to improve the end-to-end advisor experience and support advisors in their service offerings to their clients.	› Maintain strong growth momentum through our successful recruitment program. › Continue the generational transition of wealth management advisors, while providing enhanced support to existing advisors in developing their teams. › Continue to pay special attention to increasing our representation of women and minorities across our teams.
Move to an integrated digital platform to facilitate independent firms activities	› Launched a simplified, fully integrated digital platform designed to specifically meet the needs of our customers as well as the requirements of independent institutions. The launch of this platform is proceeding progressively, in close collaboration with our customers, to ensure a smooth transition adapted to their needs.	› Continue our business development by leveraging our new digital platform as a key growth driver. › Continuously simplify and improve this new platform, by closely aligning it with the evolving needs of our customers.

	2024 Achievements and Highlights	2025 Priorities
Leveraging our open architecture and functionalities to offer partnership opportunities and turnkey solutions for fund creation and management	› Business development for these turnkey solutions showing encouraging potential, with favourable returns from potential partners. › Enhanced our offering of responsible and non-traditional investment products, supported by the expertise of our teams specializing in these areas. › Implementation of a solution for the management and processing of ETFs.	› Continue to expand our offering through strategic partnerships and turnkey solutions for investment product creation. › Continue to develop new investment solutions adapted to our clients' evolving needs, particularly in the areas of responsible investing, ETFs and private placements. › Prioritize information technology. investments required to serve independent fund companies.
Leverage our organizational synergies to maximize the potential of our internal and external distribution channels	› Strong net dynamic sales of savings and investments in our Retail Network. › Record results in terms of referrals to our internal partners meeting the needs and expectations of our clients. › Improved advisory interactions by focusing on training, deploying new planning tools and optimizing our service delivery model. › Strong momentum working with Financial Markets to create new investment products.	› Capture the full potential of partnership opportunities with NBIN and various industry players. › Introduce new solutions in our distribution channels in partnership with Financial Markets. › Enhance customer experience across our digital channels for account opening and investment transactions.

Segment Results – Wealth Management

Year ended October 31 (millions of Canadian dollars)	**2024**	2023	**% change**
Net interest income	**833**	778	**7**
Fee-based revenues	**1,603**	1,432	**12**
Transaction and other revenues	**350**	311	**13**
Total revenues	**2,786**	2,521	**11**
Non-interest expenses	**1,633**	1,534	**6**
Income before provisions for credit losses and income taxes	**1,153**	987	**17**
Provisions for credit losses	**(1)**	2	
Income before income taxes	**1,154**	985	**17**
Income taxes	**317**	271	**17**
Net income	**837**	714	**17**
Less: Specified items after income taxes[1]	**–**	(32)	
Net income – Adjusted[1]	**837**	746	**12**
Average assets[2]	**9,249**	8,560	**8**
Average loans and acceptances[2]	**8,204**	7,582	**8**
Net impaired loans[3]	**11**	8	**38**
Average deposits[2]	**42,361**	40,216	**5**
Efficiency ratio[3]	**58.6 %**	60.8 %	
Efficiency ratio – Adjusted[4]	**58.6 %**	59.1 %	

Assets under administration[3]	**766,082**	652,631	**17**
Assets under management[3]			
Individual	**95,297**	72,245	**32**
Mutual funds	**60,603**	48,613	**25**
	155,900	120,858	**29**

(1) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures. During fiscal 2023, the segment had recorded, in the *Non-interest expenses* item, $8 million in intangible asset impairment losses ($6 million net of income taxes) on technology development as well as $35 million in litigation expenses ($26 million net of income taxes) to resolve litigations and other disputes on various ongoing or potential claims against the Bank.
(2) Represents an average of the daily balances for the period.
(3) See the Glossary section on pages 130 to 133 for details on the composition of these measures.
(4) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.

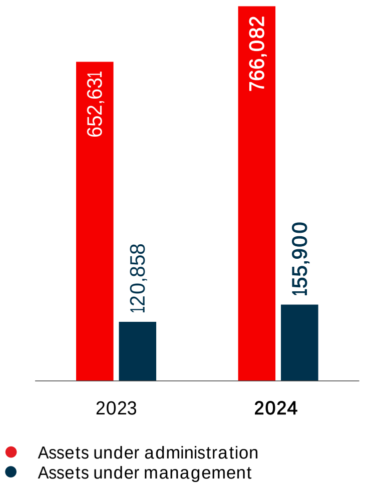
Financial Results

In the Wealth Management segment, net income totalled $837 million in fiscal 2024 compared to $714 million for 2023, an 17% increase that was attributable to growth in the segment's total revenues, partly offset by higher non-interest expenses. Excluding the specified items recorded in fiscal 2023, adjusted net income increased 12% from $746 million in 2023. The segment's total revenues amounted to $2,786 million in fiscal 2024, up 11% from $2,521 million in fiscal 2023. Net interest income increased by $55 million or 7%, mainly due to higher loan and deposit volumes. Fee-based revenues rose 12% compared to fiscal 2023 as a result of the growth in assets under administration and management caused by the rise in stock markets as well as positive net inflows for the various solutions. In addition, transaction and other revenues were up 13% compared to fiscal 2023 due to increased client activity in fiscal 2024.

The segment's non-interest expenses stood at $1,633 million in fiscal 2024 compared to $1,534 million in fiscal 2023, a 6% increase that was due to higher variable compensation and external management fees in line with revenue growth, as well as greater technology investments related to the segment's initiatives. These increases were partly offset by the impact of the specified items of $43 million recorded in fiscal 2023. At 58.6% in fiscal 2024, the efficiency ratio improved from 60.8% in fiscal 2023. Adjusted non-interest expenses were $1,633 million, up 10% from $1,491 million in fiscal 2023. The adjusted efficiency ratio stood at 58.6%, an improvement of 0.5 percentage point compared to 59.1% in fiscal 2023.

Wealth Management recorded recoveries of credit losses of $1 million in fiscal 2024, while it had recorded provisions for credit losses of $2 million in fiscal 2023.

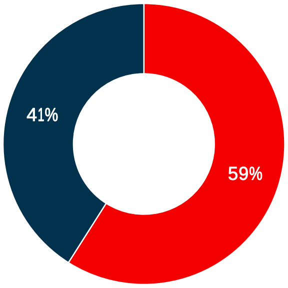
Assets Under Administration
and Assets Under Management
Year ended October 31
(millions of Canadian dollars)



Financial Markets

The Financial Markets segment offers a complete suite of products and services to corporations, institutional clients, and public-sector entities. Whether providing comprehensive advisory services and research or capital markets products and services, the segment focuses on relationships with clients and their growth. Over 900 specialists serve clients through its offices in North America, Europe, the UK, and Asia.

Total Revenues by Category
Year ended October 31, 2024



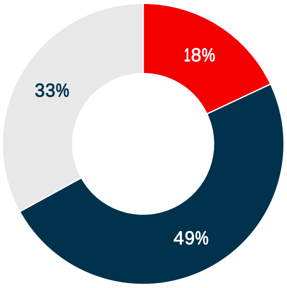
● Global Markets (2023: 56%)
● Corporate and Investment Banking (2023: 44%)

$3,030 million
Total revenues

$1,784 million
Income before provisions for credit losses and income taxes

$1,254 million
Net income

Total Revenues by Geographic Distribution
Year ended October 31, 2024



● Province of Quebec (2023: 19%)
● Other provinces (2023: 49%)
○ Outside of Canada (2023: 32%)

Global Markets
Financial Markets is a Canadian leader in risk management solutions, structured products, and market-making in ETFs by volume. The segment offers solutions in the areas of fixed-income securities, currencies, equities, and commodities in order to mitigate the financial and business risks of clients. It also provides new product development expertise to asset managers and fund companies and supports their success by providing liquidity, research, and counterparty services. Financial Markets also provides tailored investment products across all asset classes to institutional and retail distribution channels.

Corporate and Investment Banking
Financial Markets provides corporate banking, advisory, and capital markets services. It offers loan origination and syndication to large corporations for project financing, merger and acquisition transactions, and corporate financing solutions. The segment is also an investment banking leader in Quebec and across Canada. Its comprehensive services include strategic advisory for financing and merger and acquisition initiatives as well as for debt and equity underwriting. It is the Canadian leader in government debt and corporate high-yield debt underwriting. Dominant in Quebec, the segment is the leader in debt underwriting for provincial and municipal governments across Canada while growing its national position in infrastructure and project financing. Financial Markets is active in securitization financing, mainly mortgages insured by the Government of Canada and mortgage-backed securities.

Key Success Factors

- Pan-Canadian franchise with established leadership in government debt underwriting and ETF market-making in addition to securities lending and recognized capabilities in risk management solutions, structured products, and equity derivatives.
- Client-centric business with a differentiated and diversified revenue mix.
- Sound risk management.
- Flexible approach to capital allocation and proven ability to adapt to evolving capital market conditions and to deliver consistent financial performance.
- Entrepreneurial culture: Integrated approach, teamwork, and alignment among all groups, including other segments of the Bank.

Economic and Market Review

The U.S. economy has continued to perform well in 2024, but many other economies —notably those of Europe and China— have been adversely affected by restrictive global interest rates. The good news is that many central banks were able to begin easing monetary policy as inflation rates fell. With prices now growing at a pace below 2%, the Bank of Canada is expected to celebrate victory in its battle against inflation and continue steadily lowering its policy rate to neutralize monetary policy as soon as possible. However, significant signs of economic weakness are already apparent, with preliminary third-quarter data showing that the Canadian economy continues to grow at a pace below its potential, a trend noted since 2022. At the same time, the labour market shows no signs of stabilizing, as evidenced by the continuing decline in the employment rate and the number of private sector job postings. Falling interest rates may spur renewed strength in the Canadian economy in 2025, but these gains will be partly offset by the massive drop in immigration. As for the geopolitical context, much uncertainty remains, with armed conflicts continuing in the Middle East and Ukraine as well as the rise to power of Donald Trump.

The policies of the future U.S. administration, such as the possible imposition of new tariffs, could have adverse effects on some of the country's trading partners. Given the geopolitical situation and monetary policies that remain restrictive in many countries, there is a risk of increased volatility in 2025.

The economic environment in 2024 and the outlook for 2025 are discussed in more detail in the Economic Review and Outlook section on page 24.

Objectives and Strategic Priorities

	2024 Achievements and Highlights	2025 Priorities
Maintain our leadership in established businesses and leverage our strengths onto other businesses	› Ranked number one in Canadian government debt underwriting for a tenth consecutive year. › As a leader in the high yield market domestically, spearheaded Chemtrade Logistics Inc.'s inaugural $250 million 5-year senior unsecured note offering by acting as lead left bookrunner. The offering was upsized due to strong demand and provided Chemtrade Logistics Inc. with a new and alternative borrowing platform to complement their historical convertible debenture issuances. › Financial advisor to Enbridge Inc. on the $3.1 billion sale of its interest in Alliance Pipeline and Aux Sable to Pembina Pipeline Corporation. Alliance Pipeline is the sole rich gas pipeline for Canadian producers spanning from northeastern British Columbia to Channahon, Illinois. Aux Sable is one of the largest Liquefied Natural Gas (LNG) complexes in North America located at the terminus of Alliance Pipeline. The assets provide access to world-class, long-life resources from the Western Canadian Sedimentary Basin to premium markets in the U.S. and beyond. › First time joint lead on a $2 billion Government of Canada reopening of the 3.50% green bonds due March 1, 2034. › First time joint bookrunner on a new US$4 billion International Development Association 4.375% sustainable bond due June 11, 2029. › Won Best Technology at the 2024 Structured Products Intelligence Awards. › Received seven awards at the 2024 Canadian ETF Express awards, including two new wins in the following categories: • Best Capital Markets Team in Canada • Best Retail ETF Broker in Canada	› Maintain our leadership through quality and innovation.

	2024 Achievements and Highlights	2025 Priorities
Carry on international expansion supported by an innovative offering	› Continued U.S. coverage enhancement in key sectors and distribution of select products. › Enhanced our product offering in continental Europe › Financial advisor to the special committee of Filo Corp. on its $4.5 billion sale to BHP and Lundin Mining Corporation (Lundin Mining). Concurrent with the transaction, BHP and Lundin Mining will form a Canadian 50%/50% joint venture into which Filo del Sol, a world-class copper-gold-silver asset owned by Filo Corp., and the Josemaria copper-gold project, owned by Lundin Mining, will be contributed, allowing for their joint development in the prolific Vicuña district. Also provided a fairness opinion to the special committee, ensuring the transaction terms reflected a fair market value for Filo Corp.'s shareholders. › Acted as administrative agent, joint bookrunner and co-lead arranger on TMX Group Limited's (TMX) new US$1 billion bank financing package in support of its acquisition of VettaFi Holdings LLC (VettaFi). The bank financing package consisted of a US$600 million 12-month term loan, a US$200 million 18-month term loan and a US$200 million term loan of which US$963 million was drawn at closing. In addition, acted as joint bookrunner on a successful $1.1 billion senior unsecured bond take-out financing for TMX with net proceeds primarily used to repay a portion of outstanding indebtedness incurred in connection with the acquisition of VettaFi.	› Assist our clients in their growth ambitions and funding needs.
Ensure continued growth by recruiting, coaching, and retaining a diversified workforce	› Continued to advance our Inclusion, Diversity and Equity strategy through an expanded scholarship program and various training programs. › Coached and retained our talent at all levels through mentorship, executive development programs and workshops.	› Implement innovative practices for employee recruitment, coaching, and retention while fostering inclusion.
Further strengthen information technology to enhance and accelerate our execution	› Invested in technology and talent to deploy technology enhancements. › Used the latest advances in deep learning to automate and scale our platform.	› Continue to create differentiated technology across all Financial Markets' business lines.
Strengthen our ability to deliver integrated advice and solutions to clients	› Exclusive financial advisor to nesto in its acquisition of CMLS Group to establish the largest technology-enabled lender in Canada, enhancing both residential and commercial mortgage services. Also acted as co-lead arranger and joint bookrunner on the bank financing related to the acquisition while NAventures participated in the equity financing. › Acted as an initial coordinating lead arranger, joint bookrunner and co-green loan structuring agent, pre-hedge and hedge provider, and Letter of Credit provider, by providing an underwriting of US$775 million on the US$8.8 billion financing of a 3.5 GW wind project and 553 miles in transmission lines known as SunZia. SunZia is being developed by a leading power developer, Pattern Energy Group LP, which is a portfolio company of Canadian Pension Plan Investment Board, and is amongst the largest clean energy infrastructure project in U.S. history. It is expected to offset more than 7.5 million metric tons of CO_2 on the electric grid annually, equal to nearly 0.5% of greenhouse gas emissions from the U.S. electric power sector.	› Deepen our relationships with corporations, institutional clients, and public-sector entities and help support their growth. › Integrate environmental, social and governance (ESG) considerations in relevant Financial Markets activities.

	2024 Achievements and Highlights	2025 Priorities
Strengthen our ability to deliver integrated advice and solutions to clients (cont.)	› Exclusive financial advisor, joint bookrunner, administrative agent, and hedge provider for a $248.1 million construction term loan to support SkyLink Guideway Partners (Dragados Canada, Inc and Ledcor Investments Inc.) on the 3.9-year public private partnership to design, build, and finance the Surrey Langley SkyTrain Project: Guideway Contract in Surrey, British Columbia. This is one of three contracts to deliver the $6 billion Surrey-Langley SkyTrain extension project. › Prominent role in the inaugural South Bow Corporation $1.45 billion (joint bookrunner on the Canadian dollar tranches) and US$4.75 billion debt offering related to the spin off of South Bow Corporation from TC Energy Corporation, creating two independent, investment-grade companies. › Through collaborative efforts within Corporate and Investment Banking and Risk Management Solutions groups, acted as joint-bookrunner on $500 million, US$1.5 billion and €1.35 billion of senior unsecured notes for Alimentation Couche-Tard Inc. following their acquisition of certain European assets of TotalEnergies. Proceeds were used to repay the credit facilities that had been put in place following the acquisition (total transaction size of €3.1 billion). › Sponsored the annual Bloomberg Canadian Finance Conference for the twelfth year in a row.	

Segment Results – Financial Markets

Year ended October 31 (taxable equivalent basis)[1] (millions of Canadian dollars)	2024	2023	% change
Global markets			
Equities	1,018	904	13
Interest rate and credit	573	417	37
Commodities and foreign exchange	198	173	14
	1,789	1,494	20
Corporate and investment banking	1,241	1,162	7
Total revenues[1]	3,030	2,656	14
Non-interest expenses	1,246	1,161	7
Income before provisions for credit losses and income taxes	1,784	1,495	19
Provisions for credit losses	54	39	38
Income before income taxes	1,730	1,456	19
Income taxes[1]	476	401	19
Net income	1,254	1,055	19
Less: Specified items after income taxes[2]	–	(5)	
Net income – Adjusted[2]	1,254	1,060	18
Average assets[3]	195,881	180,837	8
Average loans and acceptances[3] (Corporate Banking only)	31,887	29,027	10
Net impaired loans[4]	78	30	
Net impaired loans as a % of total loans and acceptances[4]	0.2 %	0.1 %	
Average deposits[3]	65,930	57,459	15
Efficiency ratio[4]	41.1 %	43.7 %	
Efficiency ratio – Adjusted[5]	41.1 %	43.4 %	

[1] The *Total revenues* and *Income taxes* items of the Financial Markets segment are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists in grossing up certain revenues taxed at lower rates by the income tax to a level that would make it comparable to revenues from taxable sources in Canada. For the year ended October 31, 2024, *Total revenues* were grossed up by $376 million ($571 million in 2023), and an equivalent amount was recognized in *Income taxes*. The effect of these adjustments is reversed under the *Other* heading of segment results. In light of the enacted legislation with respect to Canadian dividends, the Bank did not recognize an income tax deduction or use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see the Income Taxes section).

[2] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures. During fiscal 2023, the segment had recorded, in the *Non-interest expenses* item, $7 million in intangible asset impairment losses ($5 million net of income taxes) on technology development.

[3] Represents an average of the daily balances for the period.

[4] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[5] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP ratios.

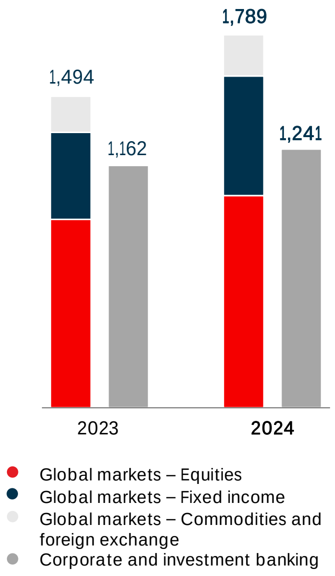
Financial Results

In the Financial Markets segment, net income totalled $1,254 million in fiscal 2024, up 19% compared to 2023. Total revenues on a taxable equivalent basis amounted to $3,030 million in 2024, an increase of $374 million or 14% compared to fiscal 2023. Global market revenues were up 20%, driven by increases in all revenue types, including a 13% increase in equities revenues, a 37% increase in interest rate and credit revenues, and a 14% increase in commodities and foreign exchange revenues. In addition, corporate and investment banking revenues were up 7% compared to fiscal 2023 as a result of growth in banking service revenues and revenues from capital markets activity, partly offset by lower revenues from merger and acquisition activity.

For the year ended October 31, 2024, non-interest expenses rose 7% compared to the prior year. This increase was due to higher compensation and employee benefits, notably variable compensation resulting from revenue growth, as well as higher technology expenses and other expenses related to the segment's business growth. The efficiency ratio of 41.1% in fiscal 2024 improved from 43.7% in fiscal 2023.

Financial Markets recorded provisions for credit losses of $54 million during fiscal 2024 compared to $39 million in 2023. This growth was mainly due to a $31 million increase in provisions for credit losses on impaired loans, partly offset by a $16 million decrease in provisions for credit losses on non-impaired loans, mainly due to the favourable impact of updated macroeconomic scenarios.

Total Revenues by Category
Year ended October 31
(millions of Canadian dollars)



U.S. Specialty Finance and International

The Bank complements its Canadian growth with a targeted, disciplined international strategy that aims for superior returns. The Bank is currently focused on specialty finance in the U.S. through its Credigy subsidiary and on personal and commercial banking in Cambodia through its ABA Bank subsidiary. The Bank also holds minority positions in financial groups operating in French-speaking Africa and Africa-Asia. The Bank currently has a moratorium on any new significant investments in emerging markets. During fiscal 2024, the U.S. Specialty Finance and International (USSF&I) segment generated 12% of the Bank's consolidated total revenue and 17% of its net income.

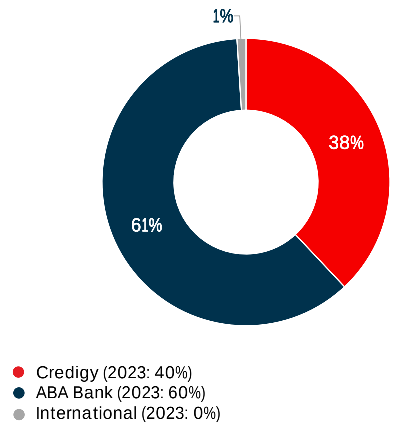
Credigy

$544 million
Total revenues

$400 million
Income before provisions for credit losses and income taxes

$227 million
Net income

Breakdown of Total Revenues
Year ended October 31, 2024



ABA Bank

$860 million
Total revenues

$567 million
Income before provisions for credit losses and income taxes

$394 million
Net income

U.S. Specialty Finance – Credigy

Founded in 2001 and based in Atlanta, Georgia, Credigy is a specialty finance company primarily active in financing and acquiring a diverse range of performing assets. Its portfolio is mostly comprised of diversified secured consumer receivables in the U.S. market. Through its best-in-class modelling expertise, flexibility, and client-centric approach, Credigy is a partner of choice for financial services institutions.

Key Success Factors

- Proven investment strategy that is adaptable to rapidly changing market conditions.
- Diversification across several classes of performing assets.
- Market credibility achieved through 380-plus transactions and over US$28 billion in total investments life-to-date.
- Rigorous underwriting approach with continuous refinement of modelling and analytics capabilities.
- Resilience to unfavourable economic conditions owing to credit quality and structural enhancements that provide downside protection.
- Emphasis on recruiting and retaining exceptional talent.

Economic and Market Review

The U.S. economy continues to stand out for its resilience, posting vigorous growth despite uncertainties. GDP grew at an annualized rate of 2.8% in the third quarter, driven in particular by a marked acceleration in public spending. This dynamism contradicted the IMF's April projections, which forecasted an improvement in the structural deficit of U.S. public finances in 2024. At the same time, household consumption rose by a considerable 3.7% annualized rate to its highest level in a year and a half. However, this strength masks growing areas of weakness, such as a historically low savings rate and an increase in payment defaults. These signals suggest that household spending trends in the months ahead will be closely tied to labour market conditions. On this front the picture is more nuanced, as the unemployment rate has risen slightly in recent months, even though it remains low in historical terms. However, a growing number of workers are reporting that it is becoming increasingly difficult to find a job in an environment where companies, faced with falling sales, are making this their main concern. The Republican sweep of the presidential elections suggests that extravagant government spending may continue. However, its impact on the economy may be offset by higher than previously estimated interest rates due to the inflation that could be generated by budgetary support.

The economic environment in 2024 and the outlook for 2025 are discussed in more detail in the Economic Review and Outlook section on page 24.

Objectives and Strategic Priorities – Credigy

Credigy aims to provide customized solutions for the acquisition or financing of consumer assets in pursuit of the best risk-adjusted returns and a pre-tax return on assets (ROA) of at least 2.5%.

	2024 Achievements and Highlights	2025 Priorities
Sustain deal flow by being a partner of choice for institutions facing complex challenges and strategic changes	› Achieved double-digit balance sheet growth through a disciplined investment approach. › Invested by establishing new relationships and leveraging existing partners. › Maintained average assets of approximately $11.3 billion.	› Leverage relationships with current and prospective partners. › Remain prepared to seize opportunities in rapidly evolving markets.
Maintain a diversified mix of performing assets	› Continued asset class diversification that is focused on high-quality consumer, mortgage, and insurance assets. › Leveraged flexibility to invest in a balanced mix of financing and direct acquisitions.	› Favour asset diversification and a prudent investment profile. › Maintain a stable risk-reward balance while optimizing for capital efficiency.
Achieve best risk-adjusted returns	› Actively monitored the economy for opportunities. › Refined and calibrated credit models to target the best risk-return investments.	› Actively monitor macroeconomic conditions to implement risk mitigation strategies. › Deliver asset growth through a balanced mix of financing and direct acquisitions.

International – ABA Bank

Established in 1996, ABA Bank provides financial services to individuals and businesses in Cambodia. It is now the largest by assets and the fastest growing commercial bank in Cambodia. ABA Bank offers a full spectrum of financial services to micro, small and medium enterprises (MSMEs) as well as to individuals through 99 branches, 46 self-banking units, 1,599 automated teller machines (ATMs) and other self-service machines, and advanced online banking and mobile banking platforms. It has been selected as the Best Bank in Cambodia by financial magazines *The Banker*, *Global Finance* (tenth consecutive year), *Euromoney* (eleventh consecutive year) and *Asiamoney* among others.

Key Success Factors

- Loan strategy targeting MSMEs with simple products.
- Disciplined risk management that drives high credit quality.
- Ability to fund loan growth through the deposit strategy.
- Deposit strategy based on state-of-the art technology, leading to a self-sufficient and expanding transactional banking ecosystem.
- Experienced leadership team and skilled workforce supported by robust training programs.
- Governance structure based on rigorous international standards while providing local management with the autonomy to pursue strategic priorities and business objectives.
- Leveraging National Bank's reputation as a world-class financial institution.
- International recognition of ABA Bank.

Economic and Market Review

The Cambodian economy is slowly recovering from the economic slowdown in China and weaker global external demand, in particular from the U.S. and Europe. Tourism is picking up, but generated revenues are still well below 2019 levels. After being impacted by global macroeconomic conditions in 2023, exports are showing good signs with strong growth in both garments, footwear and textiles, and agriculture while benefiting from recent free-trade agreements[1] and from the diversification of the manufacturing sector.

The economy grew by 5.1% in 2023 and is expected to grow between 5.5% and 6.0% in 2024. In 2025, the growth rate is anticipated to be between 5% and 6%. Cambodia will continue to benefit from increased regional economic integration among ASEAN Member States. The Cambodian market is underbanked; there is a high adoption and use of mobile applications and social media in the country, and over 65% of the population of 17 million is under 35 years of age.

[1] Comprehensive Trade Partnership between the Association of Southeast Asian Nations (ASEAN), Australia, New Zealand, Brunei Darussalam, China and Japan; agreement between Cambodia and China; agreement between Cambodia and South Korea.

Objectives and Strategic Priorities – ABA Bank

ABA Bank is pursuing an omnichannel banking strategy with the goal of becoming the lending partner of choice to MSMEs while increasing market penetration in deposits and transactional services for retail and business clients.

	2024 Achievements and Highlights	2025 Priorities
Grow market share in MSME lending	› Achieved 17% growth in loan volumes. › Maintained its leading market position while continuing to grow the business. › Continued to adapt the MSME lending strategy to support the growing needs of customers as their businesses become more mature. › Opened twelve new branches, bringing the total to 99 throughout the country.	› Open 5 branches and 5 self-banking units in 2025 to extend its reach in Cambodia, continue modernizing its branch network, and gain direct access to a larger pool of MSME customers and retail deposits. › Focus on MSME clients in industries that have been less affected by the current economic slowdown. › Continue to adapt the lending strategy in line with the growing needs of MSME customers as their businesses become more mature.
Maintain credit quality	› Maintained a well-diversified portfolio (98% of loans are secured with an average loan-to-value between 40 and 50). › At 5.5% of the loan portfolio as at October 31, 2024, non-performing loans remain below market average. › Closely monitored clients that are impacted by the current economic slowdown. › Standard & Poor's maintained ABA Bank's long-term credit rating at B+ with a "Stable" outlook, as the rapid loan and deposit growth continues, and asset quality deterioration remains manageable.	› Maintain strong governance, disciplined risk management, and sound business processes. › Ensure good credit quality across the loan portfolio to keep non-performing loan levels below market averages. › Continue to focus on secured lending. › Pro-actively work with clients to minimize growth of non-performing loans and facilitate settlements while ensuring proper enablers are in place (tools, staff, training).
Sustain growth in deposits and transactional services	› Grew deposit volume by 21% from 2023. › Continued to enhance self-banking capabilities, including the market-leading full-scale mobile banking application in Cambodia. › Self-banking transactions made up 99% of total transactions. › Further expanded ABA 24/7, a network of standalone self-banking locations that provide customers with round-the-clock access to their accounts and that now has 46 locations throughout the country.	› Further develop the transactional banking model to accelerate the migration of cash transactions, payments, and money transfers to self-service and digital banking channels. › Adapt the product offering to support the growth of ABA Bank's clients and their evolving needs. › Increase the deposit base by providing convenience to retail customers through an advanced digital and self-banking infrastructure and by expanding the network of self-service locations.

Segment Results – USSF&I

Year ended October 31 (millions of Canadian dollars)	2024	2023	% change
Total revenues			
Credigy	544	483	13
ABA Bank	860	726	18
International	11	–	
	1,415	1,209	17
Non-interest expenses			
Credigy	144	140	3
ABA Bank	293	260	13
International	2	2	
	439	402	9
Income before provisions for credit losses and income taxes	976	807	21
Provisions for credit losses			
Credigy	113	81	40
ABA Bank	68	32	
International	1	–	
	182	113	61
Income before income taxes	794	694	14
Income taxes			
Credigy	60	55	9
ABA Bank	105	91	15
International	1	–	
	166	146	14
Net income			
Credigy	227	207	10
ABA Bank	394	343	15
International	7	(2)	
	628	548	15
Average assets[1]	27,669	23,007	20
Average loans and receivables[1]	21,733	18,789	16
Purchased or originated credit-impaired (POCI) loans	365	511	(29)
Net impaired loans excluding POCI loans[2]	550	283	94
Average deposits[1]	12,987	10,692	21
Efficiency ratio[2]	31.0 %	33.3 %	

[1] Represents an average of the daily balances for the period.
[2] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Financial Results

In the USSF&I segment, net income totalled $628 million in fiscal 2024 compared to $548 million in fiscal 2023, an increase of 15% stemming from growth in total revenues partly offset by higher non-interest expenses and higher provisions for credit losses. The segment's total revenues amounted to $1,415 million, up 17% from $1,209 million in 2023, owing to revenue growth at Credigy and ABA Bank totalling $61 million and $134 million, respectively, as well as dividend revenues recognized in 2024 related to an investment in a financial group.

Non-interest expense totalled $439 million for fiscal 2024, compared to $402 million for fiscal 2023. The 9% increase resulted primarily from higher non-interest expenses at ABA Bank driven by business growth.

The segment's provisions for credit losses were up $69 million from fiscal 2023.

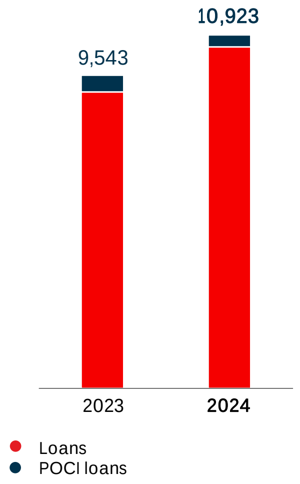
Credigy

For fiscal 2024, Credigy reported net income of $227 million, up 10% from fiscal 2023 due to growth in total revenues, partially offset by higher provisions for credit losses. The subsidiary posted income before provisions for credit losses and income taxes totalling $400 million in fiscal 2024, up 17% from fiscal 2023. Total revenues amounted to $544 million in fiscal 2024, up 13% from $483 million in fiscal 2023. This increase was driven by growth in loan volumes and non-interest income arising primarily from a fair value remeasurement of certain portfolios and a realized gain in fiscal 2024 from the disposal of a loan portfolio, partly offset by income recognized as a result a credit facility prepaid in fiscal 2023. Non-interest expenses for the year ended October 31, 2024 were up $4 million, compared to fiscal 2023, owing primarily to compensation and employee benefits. The subsidiary reported a year-over-year increase in provisions for credit losses totalling $32 million, owing to higher provisions for credit losses on impaired loans due to normal maturation of loan portfolios and provisions for credit losses on POCI loans, partly offset by lower provisions for credit losses on non-impaired loans.

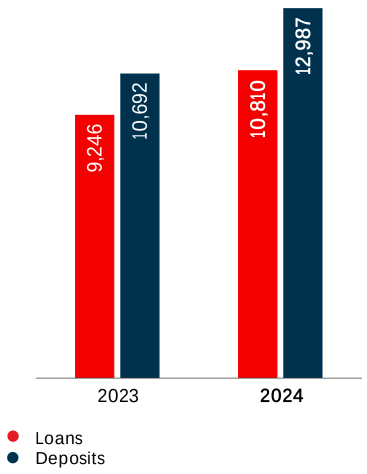
ABA Bank

For fiscal 2024, ABA Bank recorded net income totalling $394 million, up $51 million or 15% from fiscal 2023 owing to higher total revenues, partially offset by higher non-interest expenses and provisions for credit losses. The subsidiary posted income before provisions for credit losses and income taxes amounting to $567 million in fiscal 2024, up 22% from fiscal 2023. The 18% increase in the subsidiary's total revenues year over year stemmed from business expansion at the subsidiary, driven mainly by sustained asset growth. Non-interest expenses stood at $293 million, up 13% from a year earlier, due to higher compensation and employee benefits and to higher occupancy and technology costs driven by business growth and opening of new branches. The subsidiary reported provisions for credit losses totalling $68 million in fiscal 2024, up $36 million from fiscal 2023, owing to higher provisions for credit losses on impaired loans, partly offset by lower provisions for credit losses on non-impaired loans.

Average Loans and Receivables – Credigy
Year ended October 31
(millions of Canadian dollars)



Average Loans and Average Deposits – ABA Bank and International
Year ended October 31
(millions of Canadian dollars)



Other

The *Other* heading reports on Treasury operations; liquidity management; Bank funding; asset and liability management; the activities of the Flinks subsidiary, a fintech company specialized in financial data aggregation and distribution; certain specified items; and the unallocated portion of corporate units. Corporate units include Technology and Operations, Risk Management, Employee Experience, and Finance. These units provide advice and guidance throughout the Bank and to its business segments in addition to expertise and support in their respective fields.

Segment Results – Other

Year ended October 31 (millions of Canadian dollars)	2024	2023
Net interest income[1]	**(335)**	(591)
Non-interest income[1]	**(169)**	(141)
Total revenues	**(504)**	(732)
Non-interest expenses	**250**	194
Income (loss) before provisions for credit losses and income taxes	**(754)**	(926)
Provisions for credit losses	**(1)**	5
Income (loss) before income taxes	**(753)**	(931)
Income taxes (recovery)[1]	**(507)**	(667)
Net loss	**(246)**	(264)
Non-controlling interests	**(1)**	(2)
Net loss attributable to the Bank's shareholders and holders of other equity instruments	**(245)**	(262)
Less: Specified items after income taxes[2]	**100**	12
Net loss – Adjusted[2]	**(346)**	(276)
Average assets[3]	**65,546**	69,731

[1] For the year ended October 31, 2024, *Net interest income* was reduced by $79 million ($332 million in 2023), *Non-interest income* was reduced by $306 million ($247 million in 2023), and an equivalent amount was recorded in *Income taxes (recovery)*. These adjustments include a reversal of the taxable equivalent of the Financial Markets segment and the *Other* heading. Taxable equivalent basis is a calculation method that consists of grossing up certain revenues taxed at lower rates by the income tax to a level that would make it comparable to revenues from taxable sources in Canada. In light of the enacted legislation with respect to Canadian dividends, the Bank did not recognize an income tax deduction, nor did it use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see the Income Taxes section).

[2] See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures. During the year ended October 31, 2024, after the agreement to acquire CWB was concluded, the Bank recorded several acquisition-related items, in particular the amortization of the subscription receipt issuance costs of $14 million ($10 million net of income taxes); a gain of $174 million ($125 million net of income taxes) resulting from the remeasurement at fair value of the CWB common shares already held by the Bank; the impact of managing fair value changes, representing a loss of $3 million ($2 million net of income taxes); and $18 million in acquisition and integration charges ($13 million net of income taxes). During fiscal year 2023, the Bank had recorded a $91 million gain ($67 million net of income taxes) upon the fair value measurement of an equity interest, a $25 million expense ($18 million net of income taxes) related to the retroactive impact of changes to the *Excise Tax Act,* $12 million in impairment losses ($9 million net of income taxes) on premises and equipment and intangible assets, $6 million in charges ($4 million net of income taxes) for penalties on onerous contracts, and a $24 million tax expense related to the Canadian government's 2022 tax measures.

[3] Represents an average of the daily balances for the period.

Financial Results

For the *Other* heading of segment results, there was a net loss of $246 million in fiscal 2024 compared to a net loss of $264 million in fiscal 2023. The change in net loss resulted from a higher contribution from Treasury activities owing to a rise in investment gains in 2024, including the gain resulting from the remeasurement at fair value of the CWB common shares held by the Bank ($125 million net of income taxes). Those positive items were offset by higher non-interest expenses compared to fiscal 2023 driven by increased compensation and employee benefits related to the Bank's revenue growth, as well as CWB acquisition and integration charges. The fiscal 2024 specified items related to the CWB acquisition agreement had a $100 million favourable impact on the net loss compared to a $12 million favourable impact from the fiscal 2023 specified items. The adjusted net loss stood at $346 million for fiscal 2024 compared to $276 million for fiscal 2023.

Quarterly Financial Information

Several trends and factors have an impact on the Bank's quarterly net income, revenues, non-interest expenses and provisions for credit losses. The following table presents a summary of results for the past eight quarters.

Quarterly Results Summary[1]

(millions of Canadian dollars)				2024				2023[2]
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Statement of income data								
Net interest income	784	769	635	751	735	870	882	1,099
Non-interest income	2,160	2,227	2,115	1,959	1,825	1,620	1,564	1,463
Total revenues	2,944	2,996	2,750	2,710	2,560	2,490	2,446	2,562
Non-interest expenses	1,592	1,541	1,472	1,449	1,597	1,404	1,362	1,390
Income before provisions for credit losses and income taxes	1,352	1,455	1,278	1,261	963	1,086	1,084	1,172
Provisions for credit losses	162	149	138	120	115	111	85	86
Income taxes	235	273	234	219	97	145	167	210
Net income	955	1,033	906	922	751	830	832	876

[1] For additional information about the 2024 fourth-quarter results, visit the Bank's website at nbc.ca or the SEDAR+ website at sedarplus.ca to consult the Bank's *Press Release for the Fourth Quarter of 2024,* published on December 4, 2024. Also, a summary of results for the past 12 quarters is provided in Table 1 on pages 120 and 121 of this MD&A.

[2] For the 2023 comparative figures, certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

The analysis of the past eight quarters reflects the sustained performance of all the business segments and helps readers identify the items that have favourably or unfavourably affected results. Net income for all quarters of 2024 was higher than in the corresponding periods of 2023. The increase in net income was fuelled by strong performance in all business segments owing to growth in total revenues, partly offset by higher non-interest expenses (excluding the fourth quarter) and higher provisions for credit losses.

Net interest income in every quarter of 2024, except the fourth quarter, was down from the corresponding quarters of 2023. These decreases stemmed primarily from trading activity revenues in the Financial Markets segment. In all other business segments, net interest income was up in all quarters of 2024 compared to the corresponding quarters of 2023 (except for the first quarter in the Wealth Management segment, when a change in the composition of deposits had an unfavourable impact). These increases were driven by loan and deposit growth in the Personal and Commercial segment, the impact of rate increases and deposit volume growth in the Wealth Management segment, loan portfolio growth at Credigy, sustained asset growth at ABA Bank, and dividend income in the first and second quarters of 2024 related to an investment in a financial group.

For all quarters of 2024, non-interest income was up from the corresponding quarters of 2023, driven primarily by trading activity revenues in the Financial Markets segment, boosting non-interest income in every quarter of 2024. These increases were also fuelled by growth in insurance and credit card revenues. The Wealth Management segment reported sharp increases in non-interest income for all quarters of 2024, resulting primarily from higher fee-based revenues related to stock market gains compared to the corresponding quarters of 2023, and from positive net inflows into the various solutions. Non-interest income in the USSF&I segment were up in all quarters of 2024 compared to corresponding periods of 2023, except for the fourth quarter, owing to revenue growth at ABA Bank driven by business expansion and to higher revenues at Credigy. Non-interest income for the third and fourth quarters of 2024 included gains on non-trading securities upon remeasurement at fair value of the CWB shares held by the Bank, whereas in the third quarter of 2023, a gain was recorded in other income to reflect a fair value remeasurement of the Bank's equity interest in TMX. In addition, transitioning from bankers' acceptances to loans indexed at CORRA adversely affected non-interest income in the quarters of 2024.

Except for the fourth quarter, non-interest expense was up in every quarter of 2024 from the corresponding periods a year earlier. These increases were driven by compensation and employee benefits, particularly higher salaries, and variable compensation tied to the Bank's revenue growth. Compared to the corresponding periods of 2023, occupancy and technology expenses were up in every quarter of 2024 except for the fourth quarter, owing to the recognition of $86 million in impairment losses on premises and equipment and intangible assets in the same period of 2023. The increases recorded in the other quarters stemmed from expenses related to the Bank's new head office and banking network expansion at ABA Bank, and from the Bank's significant investments in technological enhancement. In addition, professional fees were up in all quarters of fiscal 2024, owing primarily to higher external management fees in the Wealth Management segment and CWB acquisition and integration charges recorded in the third and fourth quarters of 2024. In the third quarter of 2023, other expenses included a $25 million expense related to the retroactive impact of changes to the *Excise Tax Act*, and in the fourth quarter of 2023, the Bank recognized $35 million in litigation expenses and $15 million in provisions for contracts.

Provisions for credit losses were up in every quarter of 2024 from the corresponding periods of 2023. These increases stemmed from rises in provisions for credit losses on impaired loans excluding POCI loans[1] at Personal Banking (including credit card receivables) amid a normalization of credit performance and at Commercial Banking, as well as in the Financial Markets and USSF&I segments. Provisions for credit losses on non-impaired loans were down for all quarters owing to the more favourable impact of updated macroeconomic scenarios and a greater deterioration in credit risk during 2023 quarters, offset by the effects of the recalibration of certain risk parameters and by loan portfolio growth. In addition, provisions for credit losses on POCI loans in the third and fourth quarters were up from the corresponding quarters of 2023 as a result of remeasurements of certain portfolios at Credigy, while provisions for the first and second quarters of 2024 were down following repayments of Commercial Banking POCI loans.

The year-over-year change in the quarterly effective tax rate in fiscal 2024 and 2023 resulted primarily from a lower level and proportion of tax-exempt dividend income, which reflects the denial of the deduction in respect of dividends contemplated by Bill C-59 since January 1, 2024, partly offset by the impact of the Canadian government's 2022 tax measures recorded in the first quarter of 2023, namely, the Canada Recovery Dividend and the additional 1.5% tax on banks and life insurers.

[1] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Analysis of the Consolidated Balance Sheet

Consolidated Balance Sheet Summary

As at October 31 (millions of Canadian dollars)	2024	2023[1]	% change
Assets			
Cash and deposits with financial institutions	31,549	35,234	(10)
Securities	145,165	121,818	19
Securities purchased under reverse repurchase agreements and securities borrowed	16,265	11,260	44
Loans and acceptances, net of allowances	243,032	225,443	8
Other	26,215	29,722	(12)
	462,226	423,477	9
Liabilities and equity			
Deposits	333,545	288,173	16
Other	101,873	110,972	(8)
Subordinated debt	1,258	748	68
Equity attributable to the Bank's shareholders and holders of other equity instruments	25,550	23,582	8
Non-controlling interests	–	2	(100)
	462,226	423,477	9

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these audited Consolidated Financial Statements.

As at October 31, 2024, the Bank had total assets of $462.2 billion, up $38.7 billion or 9% from $423.5 billion since the end of the previous fiscal year.

Cash and deposits with financial institutions

Cash and deposits with financial institutions as at October 31, 2024 stood at $31.5 billion, down $3.7 billion compared with the Consolidated Balance Sheet as at October 31, 2023, owing primarily to a decline in deposits with regulated financial institutions, notably the U.S. Federal Reserve, partly offset by growth in deposits with the Bank of Canada. The Bank's liquidity and funding risk management practices are described on pages 95 to 104 of this MD&A.

Securities

Securities have risen $23.4 billion since October 31, 2023, owing to a $15.9 billion or 16% increase in securities at fair value through profit or loss driven mainly by equity securities, partly offset by declines in securities issued or guaranteed by the Canadian government and securities issued or guaranteed by the U.S. Treasury, other U.S. agencies and other foreign governments. Securities other than those measured at fair value through profit or loss were up $7.5 billion. Securities purchased under reverse repurchase agreements and securities borrowed have increased $5.0 billion since October 31, 2023, driven primarily by Financial Markets segment and Treasury activities. The Bank's market risk management policies are described on pages 88 to 94 of this MD&A.

Loans and Acceptances

As at October 31, 2024, loans and acceptances, net of allowances for credit losses, accounted for 53% of total assets and totalled $243.0 billion, up $17.6 billion or 8% since October 31, 2023.

Residential mortgage loans outstanding amounted to $95.0 billion as at October 31, 2024, up $8.2 billion or 9% since October 31, 2023. This growth was mainly driven by sustained demand for mortgage credit in the Personal and Commercial segment and by the business activity at Financial Markets and at ABA Bank and Credigy. Personal loans totalled $46.9 billion at the end of fiscal 2024, up $0.5 billion from $46.4 billion as at October 31, 2023. This increase was fuelled mainly by Personal Banking business growth. Credit card receivables amounted to $2.8 billion, up $0.2 billion since October 31, 2023.

As at October 31, 2024, business and government loans and acceptances totalled $99.7 billion, up $8.9 billion or 10% since October 31, 2023. The increase stemmed primarily from business growth in Commercial Banking and the Wealth Management and Financial Markets segments, as well as at ABA Bank and Credigy.

Among other information, Table 9 (page 127) shows gross loans by borrower category as at October 31, 2024. Residential mortgages (including home equity lines of credit) have posted strong growth since 2020 and amounted to $104.7 billion as at October 31, 2024; they accounted for 43% of total loans. The growth in residential mortgages was driven by sustained demand for mortgage credit in the Personal and Commercial segment and by the business activity at Financial Markets, ABA Bank, and Credigy. As at October 31, 2024, personal loans (including credit card receivables) totalled $22.1 billion, up $1.4 billion since October 31, 2023. The key increases in business loans were recorded in the mining, manufacturing, financial services, real estate and real estate construction, and other services categories. As at October 31, 2024, certain sectors were down year over year, particularly professional services and education and health care. Since October 31, 2023, POCI loans declined given the maturities of certain portfolios as well as loan repayments in fiscal 2024.

Impaired Loans

Impaired loans include all loans classified in Stage 3 of the expected credit loss model and POCI loans.

As at October 31, 2024, gross impaired loans stood at $2,043 million compared to $1,584 million as at October 31, 2023 (Table 10, page 128). Net impaired loans totalled $1,629 million as at October 31, 2024 compared to $1,276 million as at October 31, 2023. Net impaired loans excluding POCI loans rose $538 million to $1,144 million from $606 million as at October 31, 2023. The increase resulted primarily from rises in net impaired loans in the loan portfolios of Personal Banking and Commercial Banking, Financial Markets, Credigy (excluding POCI loans) and ABA Bank. Net POCI loans fell to $485 million as at October 31, 2024 from $670 million as at October 31, 2023, owing to maturities of certain loan portfolios and repayments.

A detailed description of the Bank's credit risk management practices is provided on pages 78 to 87 of this MD&A as well as in Note 8 to the Consolidated Financial Statements.

Other Assets

As at October 31, 2024, other assets totalled $26.2 billion, down $3.5 billion from $29.7 billion as at October 31, 2023, resulting mainly from a $5.2 billion decline in derivative financial instruments related to Financial Markets business activities. The decrease was partly offset by a $1.4 billion increase in other assets, particularly amounts due from clients, dealers and brokers as well as receivables, prepaid expenses and other items.

Deposits

As at October 31, 2024, deposits stood at $333.5 billion, up $45.3 billion or 16% since the previous fiscal year end. Accounting for 29% of all deposits, personal deposits amounted to $95.2 billion, as shown in Table 12 (page 129), up $7.3 billion since October 31, 2023. The increase was driven by business growth at Personal Banking, Financial Markets segments, and at ABA Bank.

As shown in Table 12, business and government deposits totalled $232.7 billion, up $35.4 billion from $197.3 billion as at October 31, 2023. This increase stemmed from Financial Markets and Treasury funding activities, including $5.8 billion in deposits subject to bank recapitalization (bail-in) conversion regulations, as well as business activities in the Commercial Banking and Wealth Management segments and at ABA Bank, and $1.0 billion related to the investment agreements for subscription receipts issued as part of the agreement to acquire CWB. Deposits from deposit-taking institutions totalled $5.6 billion, up $2.6 billion since the previous fiscal year-end.

Other Liabilities

As at October 31, 2024, other liabilities stood at $101.9 billion, down $9.1 billion since October 31, 2023, resulting primarily from a $6.6 billion decrease in acceptances, owing to the transition from bankers' acceptances to loans indexed at CORRA, a $4.1 billion decrease in derivative financial instruments, and a $2.8 billion decrease in obligations related to securities sold short. The decreases were offset by a $3.4 billion increase in liabilities related to transferred receivables and a $1.3 billion increase in other liabilities, particularly accounts payable and accrued expenses as well as interest and dividends payable.

Subordinated Debt and Other Contractual Obligations

Subordinated debt has risen since October 31, 2023 as a result of the February 5, 2024 issuance of $500 million in medium-term notes. The contractual obligations are detailed in Note 31 to the Consolidated Financial Statements.

Equity

As at October 31, 2024, equity attributable to the Bank's shareholders and holders of other equity instruments totalled $25.6 billion, up $2.0 billion from $23.6 billion as at October 31, 2023. The increase stemmed from net income net of dividends and the common share issuances under the Stock Option Plan. The increases were partially offset by the net fair value change attributable to credit risk on financial liabilities designated at fair value through profit or loss and by the net change in gains (losses) on cash flow hedges.

The Consolidated Statements of Changes in Equity on page 144 of this Annual Report present the items that make up equity. In addition, an analysis of the Bank's regulatory capital is presented in the Capital Management section of this MD&A.

CWB Transaction

On June 11, 2024, the Bank entered into an agreement to acquire all of the issued and outstanding common shares of Canadian Western Bank (CWB) by way of a share exchange valuing CWB at approximately $5.0 billion. Each CWB common share, other than those held by the Bank, will be exchanged for 0.450 of a common share of National Bank. CWB is a diversified financial services institution based in Edmonton, Alberta. This transaction will enable the Bank to accelerate its growth across Canada. The business combination brings together two complementary Canadian banks with growing businesses, thereby enhancing customer service by offering a full range of products and services nationwide, with a regionally focused service model.

The transaction is subject to the satisfaction of customary closing conditions, including regulatory approvals, and is expected to close in 2025. The results of the acquired business will be consolidated from the date of closing.

Between the announcement and closing of the transaction, the Bank is exposed to changes in the fair value of CWB's assets and liabilities due to changes in market interest rates. Increases in interest rates will impact the fair value of net assets on closing of the transaction, increasing the amount of goodwill and reducing capital ratios. To manage the volatility of goodwill and capital on closing of the transaction, the Bank entered into interest rate swaps to economically hedge its exposure. Mark-to-market changes have been recognized in *Non-interest income – Trading revenues (losses)* in the Consolidated Statement of Income.

Related Party Transactions

In the normal course of business, the Bank provides various banking services and enters into contractual agreements and other transactions with associates, joint ventures, directors, key officers and other related parties. These agreements and transactions are entered into under conditions similar to those offered to non-related third parties.

In accordance with the *Bank Act* (Canada), the aggregate of loans granted to key officers of the Bank, excluding mortgage loans granted on their principal residence, cannot exceed twice the officer's annual salary.

Loans to eligible key officers are granted under the same conditions as those granted to any other employee of the Bank. The main conditions are as follows:

- the employee must meet the same credit requirements as a client;
- mortgage loans are offered at the preferential employee rate;
- home equity lines of credit bear interest at Canadian prime less 0.5%, but never lower than Canadian prime divided by two;
- personal loans bear interest at a risk-based regular client rate;
- credit card advances bear interest at a prescribed fixed rate in accordance with Bank policy;
- personal lines of credit bear interest at Canadian prime less 0.5%, but never lower than Canadian prime divided by two.

The Bank also offers a deferred stock unit plan to directors who are not Bank employees. For additional information, see Note 24 to the Consolidated Financial Statements. Additional information about related parties is presented in Notes 10, 29 and 30 to the Consolidated Financial Statements.

Income Taxes

Notice of Assessment

In April 2024, the Bank was reassessed by the Canada Revenue Agency (CRA) for additional income tax and interest of approximately $110 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2019 taxation year.

In prior fiscal years, the Bank had been reassessed for additional income tax and interest of approximately $965 million (including provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2012-2018 taxation years.

In the reassessments, the CRA alleges that the dividends were received as part of a "dividend rental arrangement".

In October 2023, the Bank filed a notice of appeal with the Tax Court of Canada, and the matter is now in litigation. The CRA may issue reassessments to the Bank for taxation years subsequent to 2019 in regard to certain activities similar to those that were the subject of the above-mentioned reassessments. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the Consolidated Financial Statements as at October 31, 2024.

Canadian Government's 2022 Tax Measures

On November 4, 2022, the Government of Canada introduced Bill C-32 – *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022* to implement tax measures applicable to certain entities of banking and life insurer groups, as presented in its April 7, 2022 budget. These tax measures included the Canada Recovery Dividend (CRD), which is a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as a 1.5% increase in the statutory tax rate. On December 15, 2022, Bill C-32 received royal assent. Given that these tax measures had been enacted as at January 31, 2023, a $32 million tax expense for the CRD and an $8 million tax recovery for the tax rate increase, including the impact related to current and deferred taxes for fiscal 2022, were recognized in the Consolidated Financial Statements during the year ended October 31, 2023.

Other Tax Measures

On November 30, 2023, the Government of Canada introduced Bill C-59 – *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023* to implement tax measures applicable to the Bank. The measures include the denial of the deduction in respect of dividends received after 2023 on shares that are mark-to-market property for tax purposes (except for dividends received on "taxable preferred shares" as defined in the *Income Tax Act*), as well as the application of a 2% tax on the net value of equity repurchases occurring as of January 1, 2024. On June 20, 2024, Bill C-59 received royal assent and these tax measures were enacted at the reporting date. The Consolidated Financial Statements reflect the denial of the deduction in respect of the dividends covered by Bill C-59 since January 1, 2024.

On May 2, 2024, the Government of Canada introduced Bill C-69 – *An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024*. The bill includes the Pillar 2 rules (global minimum tax) published by the Organisation for Economic Co-operation and Development (OECD) that will apply to fiscal years beginning on or after December 31, 2023 (November 1, 2024 for the Bank). On June 20, 2024, Bill C-69 received royal assent. To date, the Pillar 2 rules have been included in a bill or enacted in certain jurisdictions where the Bank operates. The Pillar 2 rules do not apply to this fiscal year. The Bank is still assessing its income tax exposure arising from these rules but estimates that the impact on its effective income tax rate would be an increase of approximately 1% to 2%. During the years ended October 31, 2024 and 2023, the Bank applied the exception to the recognition and disclosure of information of deferred tax assets and liabilities arising from the Pillar 2 rules in the jurisdictions where they have been included in a bill or enacted.

Securitization and Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to various financial arrangements that, under IFRS Accounting Standards, are not required to be recorded on the Consolidated Balance Sheet or are recorded under amounts other than their notional or contractual values. These arrangements include, among others, transactions with structured entities, derivative financial instruments, the issuance of guarantees, credit instruments, and financial assets received as collateral.

Structured Entities

The Bank uses structured entities, among other means, to diversify its funding sources and to offer services to clients, in particular to help them securitize their financial assets or provide them with investment opportunities. Under IFRS Accounting Standards, a structured entity must be consolidated if the Bank controls the entity. Note 1 to the Consolidated Financial Statements describes the accounting policy and criteria used for consolidating structured entities. Additional information on consolidated and non-consolidated structured entities is provided in Note 29 to the Consolidated Financial Statements.

Securitization of the Bank's Financial Assets

Mortgage Loans

The Bank participates in two Canada Mortgage and Housing Corporation (CMHC) securitization programs: the Mortgage-Backed Securities (MBS) Program under the *National Housing Act* (Canada) (NHA) and the Canada Mortgage Bond (CMB) Program. Under the first program, the Bank issues NHA securities backed by insured residential mortgage loans and, under the second, the Bank sells NHA securities to Canada Housing Trust (CHT), which finances the purchase through the issuance of mortgage bonds insured by CMHC. Moreover, these mortgage bonds feature an interest rate swap agreement under which a CMHC-certified counterparty pays CHT the interest due to investors and receives the interest on the NHA securities. As at October 31, 2024, the outstanding amount of NHA securities issued by the Bank and sold to CHT was $24.0 billion. The mortgage loans sold consist of fixed- or variable-rate residential loans that are insured against potential losses by a loan insurer. In accordance with the NHA-MBS Program, the Bank advances the funds required to cover late payments and, if necessary, obtains reimbursement from the insurer that insured the loan. The NHA-MBS and CMB programs do not use liquidity guarantee arrangements. The Bank uses these securitization programs mainly to diversify its funding sources. In accordance with IFRS Accounting Standards, because the Bank retains substantially all of the risks and rewards of ownership of the mortgage loans transferred to CHT, the derecognition criteria are not met. Therefore, the insured mortgage loans securitized under the CMB Program continue to be recognized in *Loans* in the Bank's Consolidated Balance Sheet, and the liabilities for the considerations received from the transfer are recognized in *Liabilities related to transferred receivables* in the Consolidated Balance Sheet. For additional information, see Note 9 to the Consolidated Financial Statements.

Credit Card Receivables

In April 2015, the Bank set up Canadian Credit Card Trust II (CCCT II) to continue its program of securitizing credit card receivables on a revolving basis. The Bank uses this entity for capital management and funding purposes. The Bank acts as the servicer of the receivables sold and maintains the client relationship. Furthermore, it administers the securitization program and ensures that all related procedures are stringently followed and that investors are paid according to the provisions of the program.

As at October 31, 2024, the credit card receivables portfolio held by CCCT II represented an amount outstanding of $2.4 billion. CCCT II issued notes to investors, $0.1 billion of which is held by third parties and $0.8 billion is held by the Bank. CCCT II also issued a bank certificate held by the Bank that stood at $2.4 billion as at October 31, 2024. New receivables are periodically sold to the structure on a revolving basis to replace the receivables reimbursed by clients.

Every series of notes is rated by the Fitch and DBRS Morningstar (DBRS) rating agencies. From this portfolio of sold receivables, the Bank retains the excess spread, i.e., the residual net interest income after all the expenses related to this structure have been paid, and thus provides first-loss protection. Furthermore, second-loss protection for issued series is provided by notes subordinated to the senior notes, representing 5.8% of the total amount of the series issued. The Bank controls CCCT II and thus consolidates it.

Securitization of Third-Party Financial Assets

The Bank administers multi-seller conduits that purchase financial assets from clients and finance those purchases by issuing commercial paper backed by the acquired assets. Clients use these multi-seller conduits to diversify their funding sources and reduce borrowing costs while continuing to service the financial assets and providing some amount of first-loss protection. Notes issued by the conduits and held by third parties provide additional credit loss protection. The Bank acts as a financial agent and provides administrative and transaction structuring services to these conduits. The Bank provides backstop liquidity and credit enhancement facilities under the commercial paper program. These facilities are presented and described in Notes 28 and 29 to the Consolidated Financial Statements. The Bank has entered into derivative financial instrument contracts with these conduits, the fair value of which is presented on the Bank's Consolidated Balance Sheet. The Bank is not required to consolidate these conduits, as it does not control them.

Derivative Financial Instruments

The Bank uses various types of derivative financial instruments to meet its clients' needs, generate trading activity revenues, and manage its exposure to interest rate, foreign exchange, and credit risk as well as other market risks. All derivative financial instruments are accounted for at fair value in the Consolidated Balance Sheet. Transactions in derivative financial instruments are expressed as notional amounts. These amounts are not presented as assets or liabilities in the Consolidated Balance Sheet. They represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notes 1 and 18 to the Consolidated Financial Statements provide additional information on the types of derivative financial instruments used by the Bank and their accounting basis.

Guarantees

In the normal course of business, the Bank enters into various guarantee contracts. The principal types of guarantees are letters of guarantee, backstop liquidity and credit enhancement facilities, certain securities lending activities, and certain indemnification agreements. Note 28 to the Consolidated Financial Statements provides detailed information on these guarantees.

Credit Instruments

In the normal course of business, the Bank enters into various off-balance-sheet credit commitments. The credit instruments used to meet the financing needs of its clients represent the maximum amount of additional credit that the Bank could be required to extend if the commitments were fully drawn. Note 28 to the Consolidated Financial Statements provides detailed information on these off-balance-sheet credit instruments and other items.

Financial Assets Received as Collateral

In the normal course of business, the Bank receives financial assets as collateral as a result of transactions involving securities purchased under reverse repurchase agreements, securities borrowing and lending agreements, and derivative financial instrument transactions. For additional information on financial assets received as collateral, see Note 28 to the Consolidated Financial Statements.

Capital Management

Capital management has a dual role of ensuring a competitive return to the Bank's shareholders while maintaining a solid capital foundation that covers the risks inherent to the Bank's business activities, supports its business segments, and protects its clients.

Capital Management Framework

The Bank's capital management policy defines the guiding principles as well as the roles and responsibilities of its internal capital adequacy assessment process. This process aims to determine the capital level that the Bank must maintain to pursue its business activities and accommodate unexpected losses arising from extremely adverse economic and operational conditions. The Bank has implemented a rigorous internal capital adequacy assessment process that comprises the following procedures:

- conducting an overall risk assessment;
- measuring significant risks and the capital requirements related to the Bank's financial budget for the next fiscal year and current and prospective risk profiles;
- integrating stress tests across the organization and executing sensitivity analyses to determine the capital buffer above minimum regulatory levels (for additional information on enterprise-wide stress testing, see the Risk Management section of this MD&A);
- aggregating capital and monitoring the reasonableness of internal capital compared with regulatory capital;
- comparing projected internal capital against regulatory capital levels, internal operating targets, and competing banks;
- attesting to the adequacy of the Bank's capital levels.

Assessing capital adequacy is an integral part of capital planning and strategy. The Bank sets internal operating targets that include a discretionary cushion in excess of the minimum regulatory requirements, which provides a solid financial structure and sufficient capital to meet management's business needs in accordance with its risk appetite, along with competitive returns to shareholders, under both normal market conditions and a range of severe but plausible stress testing scenarios. The internal capital adequacy assessment process is a key tool in establishing the Bank's capital strategy and is subject to quarterly reviews and periodic amendments.

Risk-adjusted return on capital and shareholder value added (SVA), which are obtained from an assessment of required capital, are calculated periodically for each of the Bank's business segments. The results are then used to guide management in allocating capital among the various business segments.

Structure and Governance

Along with its partners from Risk Management, the Global Funding and Treasury Group, and Finance, the Capital Management team is responsible for maintaining integrated control methods and processes so that an overall assessment of capital adequacy may be performed.

The Board oversees the structure and development of the Bank's capital management policy and ensures that the Bank maintains sufficient capital in accordance with regulatory requirements and in consideration of market conditions. The Board delegates certain responsibilities to the Risk Management Committee (RMC), which in turn recommends capital management policies and oversees application thereof. The Board, on the recommendation of the RMC, assumes the following responsibilities:

- reviewing and approving the capital management policy;
- reviewing and approving the Bank's risk appetite, including the main capital and risk targets and the corresponding limits;
- reviewing and approving the capital plan and strategy on an annual basis, including the Bank's internal capital adequacy assessment process;
- reviewing and approving the implementation of significant measures respecting capital, including contingency measures;
- reviewing significant capital disclosures, including Basel capital adequacy ratios;
- ensuring the appropriateness of the regulatory capital adequacy assessment.

The Senior Leadership Team is responsible for defining the Bank's strategy and plays a key role in guiding capital-related measures and decisions. The Enterprise Wide Risk Management Committee oversees capital management, which consists of reviewing the capital plan and strategy and implementing significant capital-related measures, including contingency measures, and making recommendations about these measures.

Basel Accord and Regulatory Environment

Basel Accord

The Basel Accord proposes a range of approaches of varying complexity, the choice of which determines the sensitivity of capital to risks. A less complex approach, such as the Standardized Approach, uses regulatory weightings, while a more complex approach uses the Bank's internal estimates of risk components to establish risk-weighted assets (RWA) and calculate regulatory capital.

As required under Basel, risk-weighted assets are calculated for each credit risk, market risk, and operational risk. Some of OSFI's revision to its capital, leverage, liquidity, and disclosure rules, made as part of the Basel III reforms, took effect during the second quarter of 2023, notably the implementation of the revised Standardized Approach and IRB Approach to credit risk, the revision of the operational framework of the leverage ratio framework, and the introduction of a more risk-sensitive capital floor. The Bank uses the Internal Ratings-Based (IRB) Approaches for credit risk to determine minimum regulatory capital requirements for most of its portfolios. The Bank must use the Foundation Internal Ratings-Based (FIRB) Approach for certain specific exposure types such as large corporates and financial institutions. For all other exposure types treated under an IRB Approach, the Bank uses the Advanced Internal Ratings-Based (AIRB) Approach. Under the FIRB Approach, the Bank can use its own estimate of probability of default (PD) but must also rely on OSFI estimates for loss given default (LGD) and exposure at default (EAD) risk parameters. Under the AIRB Approach, the Bank can use its own estimates for all risk parameters: PD, LGD, EAD. Under both IRB Approaches, the risk parameters are subject to specific input floors. The credit risk of certain portfolios considered to be less significant is weighted according to the revised Standardized Approach, which uses prescribed regulatory weightings. Exposure to banking book equity securities is also weighted according to the revised Standardized Approach.

With respect to the risk related to securitization operations, the capital treatment depends on the type of underlying exposures and on the information available about the exposures. The Bank must use the Securitization: Internal Ratings-Based Approach (SEC-IRBA) if it is able to apply an approved internal ratings-based model and has sufficient information to calculate the capital requirements for all underlying exposures in the securitization pool. Under this approach, RWA is derived from a combination of supervisory inputs and inputs specific to the securitization exposure, such as the implicit capital charge related to the underlying exposures, the credit enhancement level, the effective maturity, the number of exposures, and the weighted average LGD.

If the Bank cannot use the SEC-IRBA, it must use the Securitization: External Ratings-Based Approach (SEC-ERBA) for the securitization exposures that are externally rated. This approach assigns risk weights to exposures using external ratings. The Bank uses the ratings assigned by Moody's, Standard & Poor's (S&P), Fitch, Kroll Bond Rating Agency, or DBRS or a combination of these ratings. The Bank uses the Securitization: Internal Assessment Approach (SEC-IAA) for unrated securitization exposures relating to the asset-backed commercial paper conduits it sponsors. The SEC-IAA rating methodologies used are mainly based on criteria published by the above-mentioned credit rating agencies and consider risk factors that the Bank deems relevant to assessing the credit quality of the exposures. The Bank's SEC-IAA includes an assessment of the extent by which the credit enhancement available for loss protection provides coverage of expected losses. The levels of stressed coverage the Bank requires for each internal risk rating are consistent with the requirements published by the rating agencies for equivalent external ratings by asset class. If the Bank cannot apply the SEC-ERBA or the SEC-IAA, it must use the supervisory formula under the Securitization Standardized Approach (SEC-SA). Under this approach, RWA is derived from inputs specific to the securitization exposure, such as the implicit capital charge related to the underlying exposures calculated under the standardized credit risk approach as well as credit enhancement and delinquency levels.

If none of the above approaches can be used, the securitization exposure must be assigned a risk weight of 1,250%. The Bank can apply a reduced capital charge for securitization exposures that meet the criteria of the Simple, Transparent and Comparable (STC) framework.

For operational risk, the Bank applies the revised Standardized Approach, which incorporates the Bank's internal operational risk loss experience in the RWA calculation.

In the first quarter of 2024, the Bank implemented OSFI's finalized guidance of the revised market risk framework, consistent with the BCBS's *Fundamental Review of the Trading Book* (FRTB) as well as the revised credit valuation adjustment (CVA) risk framework. For both market risk and CVA, the Bank uses the sensitivities-based Standardized Approach (SA) for computing RWA. The implementation of these revised frameworks on November 1, 2023 had a negative impact of 38 bps on the Bank's CET1 capital ratio.

The Bank must also meet the requirements of the capital output floor that will ensure that its total calculated RWA is not below 72.5% of the total RWA as calculated under the Basel III Standardized Approaches. Initially, OSFI was allowing a phase-in of the floor factor over three years, starting at 65.0% in the second quarter of 2023 and rising 2.5% per year to reach 72.5% in fiscal 2026. On July 5, 2024, OSFI announced a one-year delay to the increase in the capital output floor. Therefore, the revised floor factor will reach 72.5% in fiscal 2027. For fiscal 2024, the floor factor is set at 67.5%; it will remain at this level until the end of fiscal 2025 and then increase until 2027. If the capital requirement is less than the capital output floor requirement after applying the floor factor, the difference is added to total RWA.

Capital ratios are calculated by dividing capital by RWA. Credit, market, and operational risks are factored into the RWA calculation for regulatory purposes. Basel rules apply at the consolidated level of the Bank. The assets of non-consolidated entities for regulatory purposes are therefore excluded from the RWA calculation.

The definition adopted by BCBS distinguishes between three types of capital. Common Equity Tier 1 (CET1) capital consists of common shareholders' equity less goodwill, intangible assets, and other CET1 capital deductions. Additional Tier 1 (AT1) capital consists of eligible non-cumulative preferred shares, limited recourse capital notes (LRCN), and other AT1 capital adjustments. The sum of CET1 and AT1 capital forms what is known as Tier 1 capital. Tier 2 capital consists of eligible subordinated debts and certain allowances for credit losses. Total regulatory capital is the sum of Tier 1 and Tier 2 capital.

OSFI is responsible for applying the Basel Accord in Canada. As required under the Basel Accord, OSFI requires that recognized regulatory capital instruments other than common equity must have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. As at October 31, 2024, all of the Bank's regulatory capital instruments, other than common shares, have an NVCC clause. Furthermore, in the regulations of the *Canada Deposit Insurance Corporation (CDIC) Act* and the *Bank Act (Canada)*, the Government of Canada has provided detailed information on conversion, issuance, and compensation regimes for bail-in instruments issued by Domestic Systemically Important Banks (D-SIBs) (collectively the Bail-In Regulations). Pursuant to the *CDIC Act*, in circumstances where OSFI has determined that the Bank has ceased, or is about to cease, to be viable, the Governor in Council may, upon a Minister of Finance recommendation indicating that he or she believes that it is in the public interest to do so, grant an order directing CDIC to convert all or a portion of certain shares and liabilities of the Bank into common shares (a "Bail-In Conversion").

The Bail-In Regulations governing the conversion and issuance of bail-in instruments came into force on September 23, 2018, and those governing compensation for holders of converted instruments came into force on March 27, 2018. Any shares and liabilities issued before the effective date of the Bail-In Regulations are not subject to a Bail-In Conversion, unless, in the case of a liability, the terms of said liability are, on or after that day, amended to increase its principal amount or to extend its term to maturity, and the liability, as amended, meets the requirements to be subject to a Bail-In Conversion.

The Bail-In Regulations prescribe the types of shares and liabilities that are subject to a Bail-In Conversion. In general, any senior debt securities with an initial or amended term-to-maturity greater than 400 days that are unsecured or partially secured and have been assigned a Committee on Uniform Securities Identification Procedures (CUSIP), an International Securities Identification Number (ISIN), or similar identification number are subject to a Bail-In Conversion. However, certain other debt obligations of the Bank, such as structured notes (as defined in the Bail-In Regulations), covered bonds, deposits, and certain derivative financial instruments, are not subject to a Bail-In Conversion.

The Bank and all other major Canadian banks must maintain the following minimum capital ratios established by OSFI: a CET1 capital ratio of at least 11.5%, a Tier 1 capital ratio of at least 13.0%, and a Total capital ratio of at least 15.0%. All of these ratios are to include a capital conservation buffer of 2.5% established by the BCBS and OSFI, a 1.0% surcharge applicable solely to D-SIBs, and a 3.5% domestic stability buffer (DSB) established by OSFI. The DSB, which can vary from 0% to 4.0% of RWA, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement is not subject to automatic constraints to reduce capital distributions but must provide a remediation plan to OSFI. Additionally, OSFI requires D-SIBs to meet a Basel III leverage ratio of at least 3.5%, which includes a Tier 1 capital buffer of 0.5% applicable only to D-SIBs. The leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative financial instrument exposures and securities financing transaction exposures) and off balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure.

OSFI's Total Loss Absorbing Capacity (TLAC) Guideline, which applies to all D-SIBs under the federal government's Bail-In Regulations, is intended to ensure that a D-SIB has sufficient loss-absorbing capacity to support its internal recapitalization in the unlikely event it becomes non-viable. Available TLAC includes total capital as well as certain senior unsecured debts that satisfy all of the eligibility criteria of OSFI's TLAC guideline. OSFI requires D-SIBs to maintain a risk-based TLAC ratio of at least 25.0% (including the DSB) of RWA and a TLAC leverage ratio of at least 7.25%. The TLAC ratio is calculated by dividing available TLAC by RWA, and the TLAC leverage ratio is calculated by dividing available TLAC by total exposure. As at October 31, 2024, outstanding liabilities of $23.5 billion ($17.7 billion as at October 31, 2023) were subject to conversion under the Bail-In Regulations.

On September 12, 2023, OSFI released the final *Parental Stand-Alone (Solo) TLAC Framework for Domestic Systemically Important Banks Guideline*. This guideline focuses on the loss-absorbing capacity of Canadian parent banks rather than its consolidated operations, allowing OSFI to assess the stand-alone financial strength of the parent bank and its ability to act as a source of financial strength for its subsidiaries and branches. The framework complements OSFI's existing TLAC guideline for D-SIBs on a group consolidated basis, providing an additional layer of protection to safeguard the rights and interests of depositors, policyholders, and creditors. D-SIBs have had to adhere to this guideline as of first-quarter 2024, and the Bank is compliant therewith.

Requirements – Regulatory Capital[1], Leverage[1], and TLAC[2] Ratios

	Requirements as at October 31, 2024							
	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	Minimum set by OSFI	Domestic stability buffer[3]	Minimum set by OSFI, including the domestic stability buffer	Ratios as at October 31, 2024
Capital ratios								
CET1	**4.5 %**	**2.5 %**	**7.0 %**	**1.0 %**	**8.0 %**	**3.5 %**	**11.5 %**	**13.7 %**
Tier 1	**6.0 %**	**2.5 %**	**8.5 %**	**1.0 %**	**9.5 %**	**3.5 %**	**13.0 %**	**15.9 %**
Total	**8.0 %**	**2.5 %**	**10.5 %**	**1.0 %**	**11.5 %**	**3.5 %**	**15.0 %**	**17.0 %**
Leverage ratio	**3.0 %**	**n.a.**	**3.0 %**	**0.5 %**	**3.5 %**	**n.a.**	**3.5 %**	**4.4 %**
TLAC ratio	**21.5 %**	**n.a.**	**21.5 %**	**n.a.**	**21.5 %**	**3.5 %**	**25.0 %**	**31.2 %**
TLAC leverage ratio	**6.75 %**	**n.a.**	**6.75 %**	**0.5 %**	**7.25 %**	**n.a.**	**7.25 %**	**8.6 %**

n.a. Not applicable

[1] The capital ratios and the leverage ratio are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline*.

[2] The TLAC ratio and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.

[3] On June 18, 2024, OSFI confirmed that the domestic stability buffer was being maintained at 3.5%.

The Bank ensures that its capital levels are always above the minimum capital requirements set by OSFI, including the DSB. By maintaining a strong capital structure, the Bank can cover the risks inherent to its business activities, support its business segments, and protect its clients.

Other disclosure requirements pursuant to Pillar 3 of the Basel Accord and a set of recommendations defined by the EDTF are presented in the *Supplementary Regulatory Capital and Pillar 3 Disclosure* report published quarterly and available on the Bank's website at nbc.ca. Furthermore, a complete list of capital instruments and their main features is also available on the Bank's website.

Regulatory Context

The Bank closely monitors regulatory developments and participates actively in various consultative processes. During the first quarter of 2024, the Bank implemented the revised market risk and CVA frameworks. Since November 1, 2023, there have been no other new regulatory developments to be considered, except for the one-year postponement of the increase to the capital output floor, as previously mentioned.

Capital Management in 2024

Management Activities

On December 12, 2023, the Bank began a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2.1% of its then outstanding common shares) over the 12-month period ending no later than December 11, 2024. During the year ended October 31, 2024, the Bank did not repurchase any common shares.

On February 5, 2024, the Bank issued medium-term notes for a total amount of $500 million bearing interest at 5.279% and maturing on February 15, 2034. Given that the medium-term notes satisfy the NVCC requirements, they qualify for the purposes of calculating regulatory capital under the Basel III rules.

As at October 31, 2024, the Bank had 340,743,876 issued and outstanding common shares compared to 338,284,629 a year earlier. It also had 66,000,000 issued and outstanding preferred shares (excluding Series 44, Series 45 and Series 46 preferred shares issued by the Bank in conjunction with the LRCN, for additional information, see Note 20 to the Consolidated Financial Statements) and 1,500,000 LRCN, unchanged from October 31, 2023. For additional information on capital instruments, see Notes 16, 17 and 20 to the Consolidated Financial Statements.

Dividends

The Bank's strategy for common share dividends is to aim for a dividend payout ratio between 40% and 50% of net income attributable to common shareholders, taking into account such factors as financial position, cash needs, regulatory requirements, and any other factor deemed relevant by the Board.

For fiscal 2024, the Bank declared $1,468 million in dividends to common shareholders, representing 40.1% of net income attributable to common shareholders (2023: 42.7%) and representing 41.2% of adjusted net income attributable to common shareholders (2023: 41.7%). The declared dividends are within the target payout range as a result of the dividend increase during the fiscal year. Given the economic conditions during fiscal 2024, the Bank has taken a prudent approach to managing regulatory capital and remains confident in its ability to increase earnings going forward.

Shares, Other Equity Instruments, and Stock Options

	As at October 31, 2024	
	Number of shares or LRCN	$ million
First preferred shares		
Series 30	14,000,000	350
Series 32	12,000,000	300
Series 38	16,000,000	400
Series 40	12,000,000	300
Series 42	12,000,000	300
	66,000,000	1,650
Other equity instruments		
LRCN – Series 1	500,000	500
LRCN – Series 2	500,000	500
LRCN – Series 3	500,000	500
	1,500,000	1,500
	67,500,000	3,150
Common shares	340,743,876	3,463
Stock options	10,443,059	

As at November 29, 2024, there were 340,560,156 common shares and 10,438,408 stock options outstanding. NVCC provisions require the conversion of capital instruments into a variable number of common shares should OSFI deem a bank to be non-viable or should the government publicly announce that a bank has accepted or agreed to accept a capital injection. If an NVCC trigger event were to occur, all of the Bank's preferred shares, LRCNs, and medium-term notes maturing on August 16, 2032, and February 15, 2034, which are NVCC capital instruments, would be converted into common shares of the Bank according to an automatic conversion formula at a conversion price corresponding to the greater of the following amounts: (i) a $5.00 contractual floor price; or (ii) the market price of the Bank's common shares on the date of the trigger event (10-day weighted average price). Based on a $5.00 floor price and including an estimate for accrued dividends and interest, these NVCC capital instruments would be converted into a maximum of 1,021 million Bank common shares, which would have a 75.0% dilutive effect based on the number of Bank common shares outstanding as at October 31, 2024.

Regulatory Capital Ratios, Leverage Ratio, and TLAC Ratios

As at October 31, 2024, the Bank's CET1, Tier 1, and Total capital ratios were, respectively, 13.7%, 15.9% and 17.0%, compared to ratios of, respectively, 13.5%, 16.0% and 16.8% as at October 31, 2023. The CET1 capital ratio increased since October 31, 2023, essentially due to the contribution from net income net of dividends and to common share issuances under the Stock Option Plan. These factors were partly offset by the organic growth in RWA and by the impact of implementing OSFI's revised market risk framework. The Tier 1 capital ratio was more negatively affected by the RWA growth and is down compared to October 31, 2023. The increase of the Total capital ratio is explained by the $500 million issuance of medium-term notes during fiscal 2024.

As at October 31, 2024, the leverage ratio was 4.4%, stable compared to October 31, 2023, as growth in total exposure was offset by growth in Tier 1 capital.

As at October 31, 2024, the Bank's TLAC ratio and TLAC leverage ratio were, respectively, 31.2% and 8.6%, compared with 29.2% and 8.0%, respectively, as at October 31, 2023. The increases in both the TLAC and TLAC leverage ratios are primarily explained by the net issuance of instruments that met the TLAC eligibility criteria during the fiscal year.

During the year ended October 31, 2024, the Bank was in compliance with all of OSFI's regulatory capital, leverage, and TLAC requirements.

Regulatory Capital[1], Leverage Ratio[1], and TLAC[2]

As at October 31 (millions of Canadian dollars)	**2024**	2023
Capital		
CET1	**19,321**	16,920
Tier 1	**22,470**	20,068
Total	**24,001**	21,056
Risk-weighted assets	**140,975**	125,592
Total exposure	**511,160**	456,478
Capital ratios		
CET1	**13.7 %**	13.5 %
Tier 1	**15.9 %**	16.0 %
Total	**17.0 %**	16.8 %
Leverage ratio	**4.4 %**	4.4 %
Available TLAC	**44,040**	36,732
TLAC ratio	**31.2 %**	29.2 %
TLAC leverage ratio	**8.6 %**	8.0 %

[1] Capital, risk-weighted assets, total exposure, the capital ratios, and the leverage ratio are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline*.

[2] Available TLAC, the TLAC ratio, and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.

Movement in Regulatory Capital[1]

Year ended October 31 (millions of Canadian dollars)	2024	2023
Common Equity Tier 1 (CET1) capital		
Balance at beginning	16,920	14,818
Issuance of common shares (including Stock Option Plan)	130	85
Impact of shares purchased or sold for trading	23	3
Repurchase of common shares	–	–
Other contributed surplus	33	22
Dividends on preferred and common shares and distributions on other equity instruments	(1,643)	(1,507)
Net income attributable to the Bank's shareholders and holders of other equity instruments	3,817	3,337
Removal of own credit spread net of income taxes	400	232
Impact of adopting IFRS 17[2]	(94)	–
Other	(191)	(226)
Movements in accumulated other comprehensive income		
Translation adjustments	13	103
Debt securities at fair value through other comprehensive income	9	(1)
Other	–	1
Change in goodwill and intangible assets (net of related tax liability)	38	37
Other, including regulatory adjustments		
Change in defined benefit pension plan asset (net of related tax liability)	(92)	101
Change in amount exceeding 15% threshold		
Deferred tax assets	–	–
Significant investment in common shares of financial institutions	–	–
Deferred tax assets, unless they result from temporary differences (net of related tax liability)	(15)	(25)
Other deductions of regulatory adjustments to CET1 implemented by OSFI	(1)	(60)
Change in other regulatory adjustments	(26)	–
Balance at end	19,321	16,920
Additional Tier 1 capital		
Balance at beginning	3,148	3,143
New Tier 1 eligible capital issuances	–	–
Redeemed capital	–	–
Other, including regulatory adjustments	1	5
Balance at end	3,149	3,148
Total Tier 1 capital	22,470	20,068
Tier 2 capital		
Balance at beginning	988	1,766
New Tier 2 eligible capital issuances	500	–
Redeemed capital	–	(750)
Tier 2 instruments issued by subsidiaries and held by third parties	–	–
Change in certain allowances for credit losses	4	(54)
Other, including regulatory adjustments	39	26
Balance at end	1,531	988
Total regulatory capital	24,001	21,056

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] Fiscal 2023 figures have not been adjusted to reflect accounting policy changes arising from the adoption of IFRS17. For additional information, see Note 2 to the Consolidated Financial Statements.

RWA by Key Risk Drivers

Risk-weighted assets (RWA) amounted to $141.0 billion as at October 31, 2024 compared to $125.6 billion as at October 31, 2023, a $15.4 billion increase resulting mainly from organic growth in RWA, a deterioration in the credit quality of the loan portfolio, and methodology changes related mainly to the implementation of the revised market risk framework. These factors were partly offset by the positive impact from the implementation of the Basel III reforms related to the credit risk framework. Changes in the Bank's RWA by risk type are presented in the following table.

Risk-Weighted Assets Movement by Key Drivers[1]

Quarter ended (millions of Canadian dollars)	October 31, 2024	July 31, 2024	April 30, 2024	January 31, 2024	October 31, 2023
	Total	Total	Total	Total	Total
Credit risk – Risk-weighted assets at beginning	116,684	112,663	108,838	107,145	102,087
Book size	1,067	3,484	2,484	5,020	2,288
Book quality	(70)	649	508	435	1,045
Model updates	439	(244)	–	(31)	(107)
Methodology and policy	–	–	–	(2,629)	–
Acquisitions and disposals	–	–	–	–	–
Foreign exchange movements	330	132	833	(1,102)	1,832
Credit risk – Risk-weighted assets at end	118,450	116,684	112,663	108,838	107,145
Market risk – Risk-weighted assets at beginning	8,066	9,641	10,148	5,662	5,985
Movement in risk levels[2]	(64)	(1,575)	(507)	(352)	(323)
Model updates	–	–	–	–	–
Methodology and policy	–	–	–	4,838	–
Acquisitions and disposals	–	–	–	–	–
Market risk – Risk-weighted assets at end	8,002	8,066	9,641	10,148	5,662
Operational risk – Risk-weighted assets at beginning	14,168	13,811	13,384	12,785	12,490
Movement in risk levels	355	357	427	599	295
Methodology and policy	–	–	–	–	–
Acquisitions and disposals	–	–	–	–	–
Operational risk – Risk-weighted assets at end	14,523	14,168	13,811	13,384	12,785
Risk-weighted assets at end	140,975	138,918	136,115	132,370	125,592

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] Also includes foreign exchange rate movements that are not considered material.

The table above provides the RWA movements by the key drivers underlying the different risk categories.

The *Book size* item reflects organic changes in book size and composition (including new loans and maturing loans). RWA movements attributable to book size include increases or decreases in exposures, measured by exposure at default, assuming a stable risk profile.

The *Book quality* item is the Bank's best estimate of changes in book quality related to experience such as underlying customer behaviour or demographics, including changes resulting from model recalibrations or realignments and also including risk mitigation factors.

The *Model updates* item is used to reflect implementations of new models, changes in model scope, and any other change applied to address model malfunctions.

The *Methodology and policy* item presents the impact of changes in calculation methods resulting from changes in regulatory policies or from new regulations. During the first quarter of 2024, the Bank refined the credit risk RWA calculation related to derivatives and certain non-retail exposures, and it also implemented OSFI's revised market risk and CVA risk frameworks.

Allocation of Economic Capital and Regulatory RWA

Economic capital is an internal measure that the Bank uses to determine the capital it needs to remain solvent and to pursue its business operations. Economic capital takes into consideration the credit, market, operational, business, and other risks to which the Bank is exposed as well as the risk diversification effect among them and among the business segments. Economic capital thus helps the Bank to determine the capital required to protect itself against such risks and ensure its long-term viability. The by-segment allocation of economic capital and regulatory RWA was carried out on a stand-alone basis before attribution of goodwill and intangible assets. The method used to assess economic capital is reviewed regularly in order to accurately quantify these risks.

The Risk Management section of this MD&A provides comprehensive information about the main types of risk. The "Other risks" presented below include risks such as business risk and structural interest rate risk in addition to the benefit of diversification among types of risk.

Allocation of Risks by Business Segment

As at October 31, 2024
(millions of Canadian dollars)

National Bank of Canada

Business segments	Personal and Commercial	Wealth Management	Financial Markets	U.S. Specialty Finance and International	Other
Major activities	› Banking services › Credit services › Financing › Investment solutions › Insurance	› Full-service brokerage › Private banking › Direct brokerage › Investment solutions and transactional products › Administrative and trade execution services › Trust and estate services	› Equities, interest rate and credit products, commodities and foreign exchange › Corporate banking › Investment banking	› U.S. Specialty Finance • Credigy › International • ABA Bank (Cambodia) • Minority interests in emerging markets	› Treasury activities › Liquidity management › Bank funding › Asset and liability management › Corporate units › Fintech services • Flinks Technology Inc.

Economic capital by type of risk	Personal and Commercial	Wealth Management	Financial Markets	U.S. Specialty Finance and International	Other
Credit	4,290	138	3,251	1,491	272
Market	–	–	228	–	183
Operational	395	181	518	39	29
Other risks	436	609	924	125	(734)
Total	5,121	928	4,921	1,655	(250)

Risk-weighted assets[1]	Personal and Commercial	Wealth Management	Financial Markets	U.S. Specialty Finance and International	Other
Credit	53,907	2,229	33,482	18,918	9,914
Market	–	–	7,514	–	488
Operational	4,942	2,264	6,475	482	360
Total	58,849	4,493	47,471	19,400	10,762

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.

Risk Management

In this section of the MD&A, grey-shaded text and tables marked with an asterisk (*) are integral parts of the Consolidated Financial Statements. They represent the Bank's objectives, its risk management policies and procedures, and the methods it applies to measure credit risk, market risk as well as liquidity and funding risk, as required by IFRS 7 – ***Financial Instruments: Disclosures.***

Risk-taking is intrinsic to a financial institution's business. The Bank views risk as an integral part of its development and the diversification of its activities. It advocates a risk management approach that is consistent with its business strategy. The Bank voluntarily exposes itself to certain risk categories, particularly credit and market risk, in order to generate revenue. It also assumes certain risks that are inherent in its activities—to which it does not choose to expose itself—and that do not generate revenue, i.e., mainly operational risks. The purpose of sound and effective risk management is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds, to control the volatility in the Bank's results, and to ensure that risk-taking contributes to the creation of shareholder value.

Risk Management Framework

Risk is rigorously managed. Risks are identified, measured, and controlled to achieve an appropriate balance between returns obtained and risks assumed. Decision-making is therefore guided by risk assessments that align with the Bank's risk appetite and by prudent levels of capital and liquidity. Despite the exercise of stringent risk management and existing mitigation measures, risk cannot be eliminated entirely, and residual risks may occasionally cause losses.

The Bank has developed guidelines that support sound and effective risk management and that help preserve its reputation, brand, and long-term viability:

- risk is everyone's business: the business units, the risk management and oversight functions, and Internal Audit all play an important role in ensuring a risk management framework is in place; operational transformations and simplifications are conducted without compromising rigorous risk management;
- client-centric: having quality information is key to understanding clients, effectively managing risk, and delivering excellent client service;
- enterprise-wide: a good understanding and an integrated view of risk are the basis for sound and effective risk management and decision-making by management;
- human capital: employees are engaged, experienced, and have a high level of expertise; their curiosity supports continuous development and their rigour ensures that risk management is built into the corporate culture; incentive-based compensation programs are designed to adhere to the Bank's risk tolerance;
- fact-based: good risk management relies heavily on common sense and good judgment and on advanced systems and models.

Risk Appetite

Risk appetite represents how much risk an organization is willing to assume to achieve its business strategy. The Bank defines its risk appetite by setting tolerance thresholds, by aligning those thresholds with its business strategy, and by integrating risk management into its corporate culture. Risk appetite is built into decision-making processes as well as into strategic, financial, and capital planning.

The Bank's risk appetite framework consists of principles, statements, metrics as well as targets and is reinforced by policies and limits. When setting its risk appetite targets, the Bank considers regulatory constraints and the expectations of stakeholders, in particular clients, employees, the community, shareholders, regulatory agencies, governments, and rating agencies. The risk appetite framework is defined by the following principles and statements:

The Bank's reputation, brand, and long-term viability are at the centre of our decisions, which demand:

- a strong credit rating to be maintained;
- a strong capital and liquidity position;
- rigorous management of risks, including information security, regulatory compliance, and sales practices;
- attainment of environmental, social, and governance objectives.

The Bank understands the risks taken; they are aligned with our business strategy and translate into:

- the right risk-reward balance;
- a stable risk profile;
- a strategic level of concentration aligned with approved targets.

The Bank's transformation and simplification plan is being carried out without compromising rigorous risk management, which is reflected in:

- a low tolerance to operational and reputation risk;
- operational and information systems stability, both under normal circumstances and in times of crisis.

The Bank's management and business units are involved in the risk appetite setting process and are responsible for adequately monitoring the chosen risk indicators. These needs are assessed using the enterprise strategic planning process. The risk indicators are reported on a regular basis to ensure an effective alignment between the Bank's risk profile and its risk appetite, failing which corrective actions might be taken. Additional information on the key credit, market and liquidity risk indicators monitored by the Bank's management is presented on the following pages.

Enterprise-Wide Stress Testing
An enterprise-wide stress testing program is in place at the Bank. It is part of a more extensive process aimed at ensuring that the Bank maintains adequate capital levels commensurate with its business strategy and risk appetite. Stress testing can be defined as a risk management method that assesses the potential effects—on the Bank's financial position, capital and liquidity—of a series of specified changes in risk factors, corresponding to exceptional but plausible events. The program supports management's decision-making process by identifying potential vulnerabilities for the Bank as a whole and that are considered in setting limits as well as in longer term business planning. The scenarios and stress test results are approved by the Stress Testing Oversight Committee and are reviewed by the Global Risk Committee (GRC) and the Risk Management Committee (RMC). For additional information, see the Stress Testing section of this MD&A relating to credit risk, market risk, and liquidity risk.

Incorporation of Risk Management Into the Corporate Culture
Risk management is supported by the Bank's cultural evolution through, notably, the following pillars:

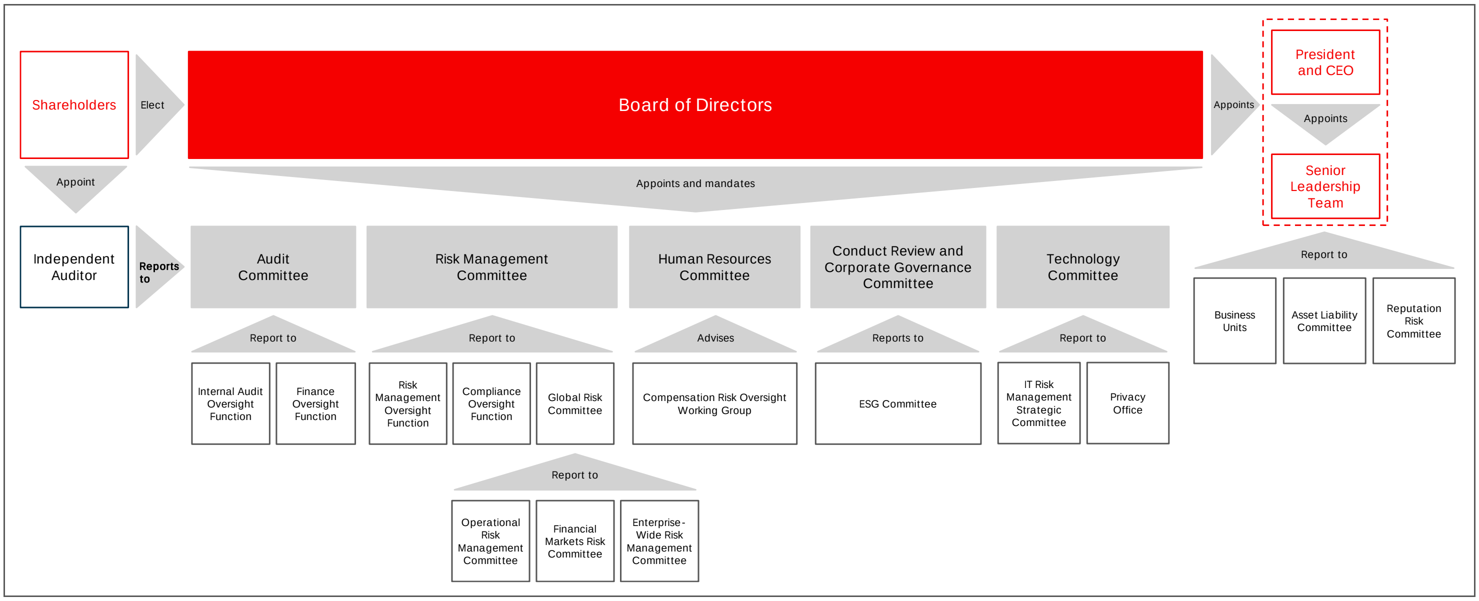
- Tone set by management: The Bank's management promotes risk management through internal communications and demonstrates it through actions and decisions that are aligned with the risk appetite as well as the desired values and culture.
- Shared accountability: A balanced approach is advocated, whereby business development initiatives are combined with a constant focus on sound and effective risk management. In particular, risk is taken into consideration when preparing the business plans of the business segments, when analyzing strategic initiatives, and when launching new products.
- Transparency: A foundation of the business' values, transparency lets us communicate our concerns quickly without fear of reprisal. We are a learning-focused organization where employees are allowed to make mistakes.
- Behaviour: Talent and performance management practices, including incentive compensation programs that consider performance and behaviours, strengthen risk management and promote desired behaviours.
- Continuous development: All employees must complete mandatory annual regulatory compliance training focused on the Bank's *Code of Conduct* and on anti-money laundering and anti-terrorist financing (AML/ATF) efforts as well as cybersecurity training. Risk management training is also offered across all of the Bank's business units.

In addition to these five pillars, Internal Audit carries out corporate cultural assessments as part of its engagements. Furthermore, to ensure the effectiveness of the existing risk management framework, the Bank has defined clear roles and responsibilities by reinforcing the concept of the three lines of defence. The Governance Structure section presented on the following pages defines this concept as well as the roles and responsibilities of these three lines of defence.

First Line of Defence Risk Owner	**Second Line of Defence** Independent Oversight	**Third Line of Defence** Independent Assurance
Business Units	Risk Management and Oversight Functions	Internal Audit
• Identify, manage, assess and mitigate risks in day-to-day activities. • Ensure activities are aligned with the Bank's risk appetite and risk management policies.	• Oversee risk management by setting policies and standards. • Provide independent oversight of management practices and an independent challenge of the first line of defence. • Promote sound and effective risk management at the Bank. • Monitor and report on risk.	• Provide the Board and management with independent assurance as to the effectiveness of the main governance, risk management, and internal control processes and systems. • Provide recommendations and advice to promote the Bank's long-term financial strength.

Governance Structure[(1)]*

The following chart shows the Bank's overall governance architecture and the governance relationships established for risk management.


Shareholders
Elect
Board of Directors
Appoints
President and CEO
Appoints
Senior Leadership Team
Appoint
Appoints and mandates
Independent Auditor
Reports to
Audit Committee
Risk Management Committee
Human Resources Committee
Conduct Review and Corporate Governance Committee
Technology Committee
Report to
Business Units
Asset Liability Committee
Reputation Risk Committee
Report to
Report to
Advises
Reports to
Report to
Internal Audit Oversight Function
Finance Oversight Function
Risk Management Oversight Function
Compliance Oversight Function
Global Risk Committee
Compensation Risk Oversight Working Group
ESG Committee
IT Risk Management Strategic Committee
Privacy Office
Report to
Operational Risk Management Committee
Financial Markets Risk Committee
Enterprise-Wide Risk Management Committee

The Board of Directors (Board)
The Board is responsible for approving and overseeing management of the Bank's internal and commercial affairs, and it establishes strategic directions together with management. It also approves and oversees the Bank's overall risk philosophy and risk appetite, acknowledges and understands the main risks faced by the Bank, and makes sure appropriate systems are in place to effectively manage and control those risks. In addition, the Board ensures that the Bank operates in accordance with environmental, social and governance (ESG) practices and strategies. It carries out its mandate both directly and through its committees: the Audit Committee, the Risk Management Committee, the Human Resources Committee, the Conduct Review and Corporate Governance Committee, and the Technology Committee.

The Audit Committee
The Audit Committee provides functional oversight over Internal Audit, thereby ensuring its independence, and defines its responsibilities. It oversees the work of the Bank's internal auditor and independent auditor; ensures the Bank's financial strength; oversees the Bank's financial reporting, analysis processes, and internal controls; and reviews any reports of irregularities in accounting, internal controls, or audit. It also reviews ESG statements, including climate-related disclosures included in financial reports.

The Risk Management Committee (RMC)
The Risk Management Committee examines the risk appetite framework and recommends it to the Board for approval. It approves the main risk management policies and risk tolerance limits. It ensures that appropriate resources, processes, and procedures are in place to properly and effectively manage risk on an ongoing basis. The Committee oversees top and emerging risks, including financial and non-financial risks. It regularly receives the risk profile and risk trends of the Bank's activities and ensures they are consistent with the risk appetite.

The Human Resources Committee
The Human Resources Committee examines compensation risks, and it reviews and approves the Bank's total compensation policies and programs, taking into consideration the risk appetite framework and ESG strategies, and recommends their approval to the Board. It recommends, for Board approval, the compensation of the President and Chief Executive Officer, of the members of the Senior Leadership Team, and of the heads of the oversight functions. This committee oversees all human resources practices, including employee health, safety and well-being, talent management matters such as succession planning for management and oversight functions, as well as diversity, equity and inclusion. Lastly, it oversees pension plans and employee benefits.

The Conduct Review and Corporate Governance Committee
The Conduct Review and Corporate Governance Committee ensures that the Bank maintains sound practices that comply with legislation and best practices, particularly in the area of ESG responsibilities, and that they align with the Bank's One Mission. It reviews and approves business conduct and ethical behaviour standards, including the *Code of Conduct* and the Whistleblower Protection Policy. The committee oversees the application of complaint review mechanisms and implements mechanisms that ensure compliance with consumer protection provisions. Lastly, it ensures that the directors are qualified by evaluating their performance and the effectiveness of the Board and by planning director succession and the composition of the Board.

The Technology Committee
The Technology Committee oversees the various components of the Bank's technology program. It reviews, among other things, the Bank's technology strategy and monitors technology risks, including cyber risks, cybercrime, privacy, and use of artificial intelligence.

[1] Additional information about the Bank's governance structure can be found in the *Management Proxy Circular for the 2025 Annual Meeting of Holders of Common Shares*, which will be available in March 2025 on the Bank's website at nbc.ca and on SEDAR+'s website at sedarplus.ca. The mandates of the Board and of its committees are available in their entirety at nbc.ca.

Senior Leadership Team of the Bank

Composed of the President and Chief Executive Officer and the officers responsible for the Bank's main functions and business units, the Bank's Senior Leadership Team ensures that risk management is sound and effective and aligned with the Bank's pursuit of its business objectives and strategies. The Senior Leadership Team promotes the integration of risk management into its corporate culture and manages the primary risks facing the Bank.

The Internal Audit Oversight Function

The Internal Audit Oversight Function is the third line of defence in the risk management framework. It is responsible for providing the Bank's Board and management with objective, independent assurance on the effectiveness of the main governance, risk management, and internal control processes and systems and for making recommendations and providing advice to promote the Bank's long-term strength.

The Finance Oversight Function

The Finance Oversight Function is responsible for optimizing management of financial resources and ensuring sound governance of financial information. It helps the business segments and support functions with their financial performance, ensures compliance with regulatory requirements, and handles the Bank's reporting to shareholders and the external reporting of the various units, entities, and subsidiaries of the Bank. It is responsible for capital management and actively participates in the activities of the Asset Liability Committee.

The Risk Management Oversight Function

The Risk Management Oversight Function is responsible for identifying, assessing and monitoring—independently and using an integrated approach—the various risks to which the Bank and its subsidiaries are exposed and for promoting a risk management culture throughout the Bank. The Risk Management team helps the Board and management understand and monitor the top risks. This service also develops, maintains, and communicates the risk appetite framework while overseeing the integrity and reliability of risk measures.

The Compliance Oversight Function

The Compliance Oversight Function is responsible for implementing a Bank-wide regulatory compliance risk management framework by relying on an organizational structure that includes functional links to the main business segments. It also exercises independent oversight and conducts assessments of the compliance of the Bank and its subsidiaries with regulatory compliance risk standards and policies.

The Global Risk Committee (GRC)

The Global Risk Committee is the overriding governing entity of all the Bank's risk committees, and it oversees every aspect of the overall management of the Bank's risks. It sets the parameters of the policies that determine risk tolerance and the overall risk strategy, for the Bank and its subsidiaries as a whole, and sets limits as well as tolerance and intervention thresholds enabling the Bank to properly manage the main risks to which it is exposed. The committee approves and monitors all large credit facilities using the limits set out in the Credit Risk Management Policy. It reports to the Board, and recommends for Board approval, the Bank's risk philosophy, risk appetite, and risk profile management. The Operational Risk Management Committee, the Financial Markets Risk Committee, and the Enterprise-Wide Risk Management Committee presented in the governance structure chart are the primary committees reporting to the Global Risk Committee. The Global Risk Committee also carries out its mandate through the Senior Complex Valuation Committee and the Model Oversight Committee, and through risk review committees.

The Compensation Risk Oversight Working Group

The Compensation Risk Oversight Working Group supports the Human Resources Committee in its compensation risk oversight role. It is made up of at least three members, namely, the Executive Vice-President and Chief Risk Officer, the Chief Financial Officer and Executive Vice-President, Finance; and the Executive Vice-President, Employee Experience. The working group helps to ensure that compensation policies and programs do not unduly encourage senior management members, leaders, material risk takers, and all employees to take risks beyond the Bank's risk tolerance thresholds. As part of that role, it ensures that the Bank is adhering to the Corporate Governance Guideline issued by OSFI and to the Principles for Sound Compensation Practices issued by the Financial Stability Board, for which the Canadian implementation and monitoring is conducted by OSFI. The RMC also reviews the reports presented by this working group.

The ESG Committee

Under the leadership of the Chief Financial Officer and Executive Vice-President, Finance and of the Senior Vice-President, Communications, Public Affairs and ESG, and made up of several leaders from different areas of the Bank, the ESG Committee's main role is to develop and support the Bank's environmental, social and governance initiatives. The ESG Committee is responsible, among other things, for implementing the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and the UN Principles for Responsible Banking as well as the Bank's nine ESG principles and related commitments (for more details, see the Governance section of the ESG Report on the Bank's website, at nbc.ca). At least twice a year, the ESG Committee reports to the Conduct Review and Corporate Governance Committee on the progress made and on ongoing and upcoming ESG projects. In addition, and in a timely fashion, the ESG Committee makes presentations on topics of particular interest, such as extra-financial and climate risk disclosures, to the Audit Committee and the RMC.

The IT Risk Management Strategic Committee (ITRMSC)

The Bank's senior management and the Senior Vice-President, Integrated Risk Management, confer to the ITRMSC the responsibility for technology and cyber risk governance. The ITRMSC, under the leadership of the Vice-President, Technology, Cyber and Data Risk Management, has been mandated to ensure that technology strategies (including cybersecurity and technology resilience) are aligned with the Bank's risk appetite. This committee monitors key technology risk indicators and significant technology risk developments, ensures that emerging technology risks are monitored and follows their main trends. Lastly, it contributes to developing a sound risk culture by promoting ownership of technology risk management across the Bank.

The Privacy Office

The Privacy Office develops and implements the privacy program and the Bank's strategy for ensuring privacy and protection of personal information. It oversees the development, updating, and application of appropriate documentation in support of the Bank's privacy program, including policies, standards, and procedures. It also oversees the risk governance framework and the implementation of appropriate controls designed to mitigate privacy risk. It supports the business units in their execution of the Bank's strategic directions and ensures adherence to privacy best practices. Lastly, it participates in the work to develop and implement the program overseeing artificial intelligence in the organization.

The Business Units

As the first line of defence, the business units manage risks related to their operations within established limits and in accordance with risk management policies by identifying, analyzing, managing, and understanding the risks to which they are exposed and implementing risk mitigation mechanisms. The management of these units must ensure that employees are adhering to current policies and limits.

Asset Liability Committee

The Asset Liability Committee is composed of members of the Bank's Senior Leadership Team, Risk Management leaders, Finance unit leaders, and business unit leaders. It monitors and provides strategic actions on structural interest rate risk, structural foreign exchange risk, and liquidity risk. It is also charged with strategic coordination of the annual budget plan with respect to the balance sheet, capital, and funding.

Reputation Risk Committee (RRC)

The Reputation Risk Committee is the central point for sharing information on the Bank's reputation risk practices. In particular, it ensures that appropriate frameworks are in place and being applied, that higher reputation risks are being adequately monitored, and that mitigation plans are in place. It sets risk appetite levels and proposes guidance and alignments that match this risk appetite. The RRC reports to the Senior Leadership Team and the RMC.

Risk Management Policies

The risk management policies and related standards and procedures set out responsibilities, define and describe the main business-related risks, specify the requirements that business units must fulfill when assessing and managing these risks, stipulate the authorization process for risk-taking, and set the risk limits to be adhered to. They also establish the reporting that must be provided to the various risk-related bodies, including the RMC. The policies cover the Bank's top risks, are reviewed regularly to ensure they are still relevant given market changes, regulatory changes and changes in the business plans of the Bank's business units, and they apply to the entire Bank and its subsidiaries, when applicable. Other policies, standards, and procedures complement the main policies and cover more specific aspects of risk management such as business continuity; the launch of new products, initiatives, or activities; or financial instrument measurement.

Model Risk Management Governance

The Bank uses several models to guide enterprise-wide risk management, financial markets strategy, economic and regulatory capital allocation, global credit risk management, operational risk management, and profitability measures. The model risk management policies as well as a rigorous model management process ensure that model usage is appropriate and effective.

The key components of the Bank's model risk management governance framework are the model risk management policies and standards, the model validation group, and the Model Oversight Committee. The policies and standards set the rules and principles applicable to the development and independent validation of models. The range of models covered is broad, from market risk pricing models and automated credit decision-making models to banking product fraud detection models, regulatory capital models, and expected credit losses models.

One of the cornerstones of the Bank's policies is the general principle that all models deemed important for the Bank or used for regulatory capital purposes require heightened lifecycle monitoring and independent validation. All models used by the Bank are therefore classified based on their risk level (low, medium, or high). Using this classification, the Bank applies strict guidelines regarding the requirements for model development and documentation, independent review thereof, performance monitoring thereof, and minimum review frequency. The Bank believes that the best defence against model risk is the implementation of a robust development and validation framework.

Independent Oversight by the Compliance Function

Compliance is an independent oversight function within the Bank. Its Senior Vice-President, Chief Compliance Officer and Chief Anti-Money Laundering Officer has direct access to the RMC and to the President and Chief Executive Officer and can communicate directly with leaders and directors of the Bank and of its subsidiaries and foreign centres. The Senior Vice-President, Chief Compliance Officer and Chief Anti-Money Laundering Officer regularly meets with the Chair of the RMC, in the absence of management, to review matters on the relationship between the Compliance function and the Bank's management and on access to the information required.

Business unit managers must oversee the implementation of mechanisms for the daily control of regulatory compliance risks arising from the operations under their responsibility. Compliance exercises independent oversight to assist managers in effectively managing these risks and to obtain reasonable assurance that the Bank complies with the regulatory requirements that apply to its operations, both in Canada and internationally.

Independent Assessment by Internal Audit

Internal Audit is an independent oversight function created by the Audit Committee. Its Senior Vice-President has direct access to the Chair of the Audit Committee and to the President and Chief Executive Officer and can communicate directly with leaders and directors of the Bank and its subsidiaries and foreign centres. The Senior Vice-President, Internal Audit, regularly meets with the Chair of the Audit Committee, in the absence of management, to review matters on the relationship between Internal Audit and the Bank's management.

Internal Audit is the third line of defence of the Bank's risk management framework. It provides reasonable assurance that the main governance, risk management, and internal control processes and systems are ensuring that, in all material respects, the Bank's key control procedures are effective and compliant. Internal Audit also provides recommendations and advice on how to strengthen these key control procedures. Business unit managers and senior management must ensure the effectiveness of the main governance, risk management, and internal control processes and systems, and they must implement corrective measures if needed.

Top and Emerging Risks

Managing risks requires a solid understanding of every type of risk faced by the Bank, as they could have a material adverse effect on the Bank's business, results of operations, financial position, and reputation. As part of its risk management approach, the Bank identifies, assesses, reviews and monitors the range of top and emerging risks to which it is exposed in order to proactively manage them and implement appropriate mitigation strategies. Identified top and emerging risks are presented to senior management and communicated to the RMC.

The Bank applies a risk taxonomy that categorizes, in two groups, the top risks to which the Bank is exposed in the normal course of business:

- Financial risks: Directly tied to the Bank's key business activities and are generally more quantifiable or predictable;
- Non-financial risks: Inherent in the Bank's activities and to which it does not choose to be exposed.

The Bank separately qualifies the risks to which it is exposed: a "top risk" is a risk that has been identified, is clearly defined, and could have a significant impact on the Bank's business, results of operations, financial position, and reputation, whereas an "emerging risk" is a risk that, while it may also have an impact on the Bank, is not yet well understood in terms of its likelihood, consequences, timing, or the magnitude of its potential impact.

In the normal course of business, the Bank is exposed to the following top risks.

Financial risks			Non-financial risks				
Credit risk	Market risk	Liquidity and funding risk	Operational risk	Regulatory compliance risk	Reputation risk	Strategic risk	Environmental and social risk

The Bank is also exposed to other new, so-called emerging or significant risks, which are defined as follows.

Risk and Trend	Description
Information security ⇨	The use of technology in the financial sector drives innovation by increasing the operational efficiency and competitiveness of businesses to better meet the evolving needs of clients and market requirements. However, this digital transformation exposes banks to heightened information security risks. Cybercriminals, who are increasingly more organized and sophisticated, target confidential information and critical assets of organizations, causing system failures, financial losses, service disruptions, litigations, fines, and harm to the reputation of banking institutions. In this context, the main risk for the Bank lies primarily in intentional or accidental breaches of data or a malicious code infection following a case of social engineering. In addition, the Bank has observed a growing number of hackers are specializing in corporate credentials theft, thereby pointing to continued ransomware-type attacks. Furthermore, the risk of the supply chain being compromised and attacks aimed at deteriorating the performance of websites or networks remain major sources of concern considering the growth in the supplier ecosystem and geopolitical conflicts. With respect to emerging risks, the Bank identified the rise of sophisticated threats, such as the malicious use of artificial intelligence to replace a human characteristic like the voice or face with another (deepfake). In addition, the increased use of connected objects (Internet of Things or IoT) and the power of quantum computers create new security challenges requiring heightened vigilance and innovative defence strategies.

Risk and Trend	Description
Information security (cont.) ⇨	To mitigate these risks, the Bank makes ongoing investments aimed at strengthening information security, protecting its clients and preserving their trust. It collaborates with its partners and regulatory authorities, sets up specialized teams to anticipate and respond to cyber threats, and develops programs for its employees to raise awareness of good cybersecurity practices and social engineering techniques, for instance through its cybersecurity program. A governance and accountability structure is also in place to support decision-making based on sound risk management. In addition, the Technology Committee is regularly informed of the cybersecurity posture, trends and developments, such as lessons learned from operational incidents that have occurred in other large organizations, to gain a better understanding of cybersecurity and privacy risks.
Data risk and protection of personal information ⇨	The Bank operates in an environment where data plays a crucial role, both as a driver of growth and as a potential source of risk. The Bank understands that the volume of data created, transformed and handled on a regular basis by all its segments generates a risk that could give rise to impacts on a financial level (regulatory penalties, increase in operating costs, etc.) and on a reputational level, but also on its clients. The importance of effective data governance and management has grown with the rapid evolution of technology. On the one hand, the use of artificial intelligence requires data quality and generates new risks, including ethical risks, such as potential biases. On the other hand, the regulatory requirements are constantly evolving. The Bank recognizes data as a strategic asset and has set the objective of enhancing the quality and integrity of data to unlock its full strategic value and improve decision-making while complying with regulatory requirements. To support its efforts, the Bank applies industry best governance and risk management practices and relies notably on the Basel Committee principles, as well as internationally recognized principles that are adopted by major financial institutions. In addition, the Bank continues its efforts and investments to adopt new technologies and exploit the value of data to support informed decisions and meet clients' needs with greater agility. The Bank's Data Office established a data governance framework emphasizing data quality, security, transparency, protection and risk management. The Data Council ensures data management is aligned with the corporate strategy. As for the Data Office, it ensures that the data strategy is deployed and operationalized in each segment. Committees are in place to monitor the progress of initiatives, ensure effective governance and sound data management, and oversee data risk across the Bank. A significant proportion of the data held by the Bank is personal information about its clients and employees. Privacy risks exist throughout the data life cycle and are explained in particular by the volume and sensitivity of the information that a financial institution must hold about its clients as well as the constantly evolving legislative requirements. These risks are also related to the fact that information could be created, collected, used, communicated, stored or destroyed inappropriately. The exposure to such risks may become greater when the Bank uses external service providers to process personal information. Collecting, using, disclosing and managing personal information, as well as personal information governance, are among the priorities of the Bank, which is investing in technology solutions and innovations based on the development of its business activities. These risks could lead to the loss or theft of personal information, decline of the client base, financial losses, non-compliance with the legislation in effect, investigations, legal disputes, penalties, punitive damages or regulatory orders, compliance costs, corrective actions, and cost hikes to maintain and upgrade technological infrastructures and systems; all of which could affect the Bank's operating results or financial position, in addition to having an impact on its reputation. In recent years, innovations and the proliferation of technological solutions that process or store personal information such as cloud computing, artificial intelligence, machine learning, and open banking, gave rise to significant legislative changes in many jurisdictions, including Canada and Quebec. For more information on recent legislative changes, refer to the Regulatory Compliance Risk section of this MD&A. The Bank continues to monitor relevant legislative developments and enhance its governance by updating its policies, standards and practices and by deploying a privacy program that reflects its determination to maintain the trust of its clients.

Risk and Trend	Description
Technological innovation and competition ⇨	Changes in technology and the offering of niche products by non-banking suppliers continue to shape the financial services industry. These businesses represent competitors to watch, especially since they are not subject to the same regulatory requirements as financial institutions. These developments drive the Bank to remain relevant by offering innovative solutions and services that meet the evolving tastes and needs of clients. In addition, new business models are making their way. As a result, the Bank must be agile to stand out. Whether by focusing on different partnership models for greater complementarity or by integrating more financial services into its platforms, the Bank strives to better meet its clients' needs, particularly in terms of financial independence and well-being. In the continuous spirit of offering a quality client experience, the Bank continues to work on integrating artificial intelligence to improve its business processes and increase their effectiveness. Using this technology involves both operational and reputation risks, and this is why the principles governing the development, acquisition and use of artificial intelligence, defined as part of model risk management, entail the participation of multidisciplinary teams and set out the roles and responsibilities of each sector. These principles ensure a quality execution and oversight as well as common rules and positionings for a responsible use of artificial intelligence at the Bank. A series of guidelines and good practices, such as overseeing the use of generative artificial intelligence, enables the Bank to optimize its operations through the use of these tools while managing the associated risks, including risks related to confidentiality and execution quality. The Bank remains alert to the risks that could arise from the transformation of financial services and continues to invest in the development of its operational and technological capabilities. The Bank remains strongly committed to innovation by collaborating closely with the financial industry and regulatory authorities to set up the open banking regulatory framework and through its specialized venture capital arm, *NAventures*™*,* which makes investments in start-up or growing businesses to establish solid partnerships that will shape the financial institution of the future.
Reliance on technology and third-party providers ⇗	The Bank's clients have higher expectations regarding the accessibility to products and services on various platforms that house substantial amounts of data. To diligently meet client expectations and respond to the rapid pace of technological changes and the growing presence of new actors in the banking sector, the Bank makes significant and ongoing investments in its technology while maintaining the operational resilience and robustness of its controls. Inadequate implementation of technological improvements or new products or services could significantly affect the Bank's ability to serve and retain clients. Third parties provide essential components of the Bank's technological infrastructure such as Internet connections, access to networks and other communication services. The Bank also relies on the services of third parties to support certain business processes and to handle certain IT activities. An interruption of these services or a breach of security could have an unfavourable impact on the Bank's ability to provide products and services to its clients and on its operational resilience, not to mention the impact that such events would have on the Bank's reputation. The systemic concentration of third parties and subcontractors of our third parties also increases the risk of disruption across the banking industry, and the geographic concentration of third parties could generate disruptions caused by other risks, such as natural disasters, weather and geopolitical events. To mitigate these risks, the Bank has a third-party risk management framework that includes various validations in terms of information security, financial health, beneficiary and entity screening, regulatory compliance, business continuity, internal and systemic concentration, execution, privacy, etc. that are carried out both before entering into an agreement and throughout its life. The extent of the due diligence review is based on the specific features of the agreement and is commensurate with the level of risk of the agreement. The framework also includes business continuity and technological succession plans as well as exit or contingency plans to ensure effectiveness in the event critical suppliers are not available. A governance and accountability structure has also been established to support decision-making based on sound risk management. Despite these preventive measures and the efforts deployed by the Bank to manage third parties, it is possible that some risks may materialize. In such cases, the Bank would rely on mitigation mechanisms developed in collaboration with the various concerned agreement owners and third parties. As the industry is facing a broader ecosystem of third parties, OSFI issued a new version of its *Third-Party Risk Management Guideline* (B-10), which has been in effect since May 1, 2024. Mindful of the significance of third-party risk, the Bank makes sure that its third-party management practices and policies evolve in collaboration with its financial sector partners and with regulatory authorities.

Risk and Trend	Description
Geopolitical risks ↗	Government decisions and international relations can have a significant impact on the environment in which the Bank operates. Geopolitical events can lead to volatility, have a negative impact on risky assets, and cause financial conditions to deteriorate. They can also directly or indirectly affect banking activities by having repercussions on clients. The war in Ukraine, which has temporarily disrupted energy and agricultural supply chains, is a good example. The economic sanctions taken against Russia for its invasion of Ukraine and the steps taken by Russia to significantly reduce natural gas supply to Europe have led to soaring energy costs. In turn, this situation triggered the economic headwinds now facing Europe and heightened the risk of a political reaction in the form of new governments taking power and social unrest. Even if the war were to end, the shattered trust suggests that Europe and Russia will continue to take measures to become less dependent on one another, notably regarding energy matters. In addition, the clashes between Israel and Hamas add a new risk of regional escalation in the Middle East. At the time of writing this document, there is an escalation between Israel and Hezbollah in Lebanon, which is supported by Iran. The greatest risk is that this conflict spreads and develops into a more direct and lengthy confrontation between Iran and Israel, which could complicate oil deliveries in the Persian Gulf. This would have negative consequences on the global geopolitical and economic landscape, as well as on energy prices. While new risks could arise at any time, certain concerns are compelling us to monitor other situations at this time. The geopolitical power struggle that for years has pitted the United States against China is one such concern. Businesses, in particular those operating in sectors deemed strategic, run an increasing risk of finding themselves in a maze of contradictory regulations, where complying with U.S. regulations means violating Chinese law, and vice versa. These tensions could also partially undo some of the ties forged between these two superpowers in the financial markets, which means that Canada is being increasingly caught in the crossfires between the two countries. The tariffs on Chinese electric vehicles is just one of many examples. Tensions between China and the United States on the subject of Taiwan is another source of disagreement between the two superpowers. While we do not believe an invasion is imminent, China will continue to exert pressure on Taiwan through a combination of unprecedented military exercises and economic sanctions. Taiwan's importance is highlighted by the fact that it is by far the leading global producer of advanced microchips (over 90% of the market share). Closer to home, Canada is also dealing with some tensions. Until recently, India represented an alternative to China as a potential trading partner against a backdrop of persistent tensions with the Middle Kingdom (detention of two Canadians in China and Chinese interference in Canadian elections). However, Ottawa's accusations that the Indian government was involved in the murder of a Canadian citizen have soured relations with India, and the conflict could affect companies that have forged trade relationships or made investments there. However, the potential for confrontation does not end there, as protectionism is gaining popularity, and a growing number of countries are implementing measures to both financially support domestic businesses in key sectors (high tech, health care, and food) and to protect them against global competition through business restrictions. The combined effects of supply shortages experienced during the COVID-19 pandemic and geopolitical tensions have shifted the focus from efficiency to supply security. In addition, the combined effect of climate change and armed conflicts could lead to massive involuntary migration, which has already risen sharply in recent years. This could have economic and political repercussions, with Europe being particularly vulnerable. Lastly, with rising debt levels and interest rates, some governments could face a dilemma as they try to satisfy public demands to maintain social safety nets and respond to pressure from the financial markets to improve their fiscal balance, causing political tensions in the developed countries. We will continue to monitor all of these developments, analyze any new risks that arise, and assess the impacts that they may have on our organization.

Risk and Trend	Description
Economic risk ↗	Global economic growth remains relatively healthy, but still seems to have slowed down in recent months. Once again, the manufacturing sector is the source of this downturn, as the worldwide demand for goods continued to wane after the post-pandemic rush. Geographically, the eurozone and China are the main areas responsible for the tempered growth. In the single currency zone, the consequences of the invasion of Ukraine by Russia are still being felt, especially in Germany, where energy price increases accelerated the erosion of the industrial base and resulted in GDP stagnation and a rise in the unemployment rate. The determination of the European Central Bank (ECB) to reduce key interest rates is certainly good news, but due to the significant lag in the transmission of monetary policy, it may be a long time before the ECB's actions succeed in boosting growth once and for all. Meanwhile, China continues to face a painful deleveraging process in the real estate sector that undermines household confidence and could lead to an international reduction in commodities demand. Low, or even negative inflation, is another factor to monitor, not only because it reflects weak domestic demand, but also because a potential entrenchment of deflation could make debt service more challenging in the world's second largest economy. Even in the United States, where growth remains solid, some risk factors persist, such as the lagged effects of the monetary policy tightening or the regional banks' exposure to commercial real estate. The growing popularity of protectionist policies on both sides of the political aisle is another source of concern, as it may further strain commercial relations with China. While the economic risks mentioned up to this point are more short-term, other risks carry weight on a longer term, such as the significant deterioration of the fiscal position of many countries. Many governments became much more indebted during the pandemic and are now facing an interest payment shock as bonds come due. Government financing needs will be considerable in the years to come, with demographic changes, the fight against climate change, and reindustrialization, which might exacerbate the pressure on public finances. There is reason to believe that investors could demand compensation for financing more fragile governments. This could limit the power of governments to act in the event of economic weakness. Lastly, climate issues are an added risk in the current context. If too few measures are adopted on the climate front, severe weather events will intensify and result in economic woes over the long term. Conversely, a too swift transition could result in other risks, particularly short- and medium-term economic costs and rising pressure on production costs. In short, given the ongoing uncertainties in this economic environment, the Bank remains vigilant in the face of numerous factors and will continue to rely on its strong risk management framework to identify, assess, and mitigate the negative impacts while also remaining within its risk appetite limits.
Real estate and household indebtedness →	With interest rates remaining high and central banks continuing to be concerned about inflation, it is normal to wonder how these circumstances are affecting Canadian households with high levels of debt. Canadian household debt, on a global scale, is high in relation to disposable income, as is the case in other countries with generous social safety nets. In recent years, policymakers have introduced a number of financial stability measures to limit Canadian household debt. This has paid off, as shown by the debt ratio, which had been relatively unchanged since 2016 and has decreased since the start of monetary policy tightening. Nonetheless, indebted households are feeling the impact of high interest rates. For now, job layoffs have remained limited, which cushioned late payments on loans, but we are not immune to a potential recession that could make matters worse. The Bank offers variable rate/variable payment mortgage loans. This means that clients in this situation have been able to gradually adjust their budgets since the start of the multiple rate hikes and avoid an overly high payment shock when they renew their mortgage term, as is the case for borrowers that have variable rate/fixed payment mortgages with other lending institutions.

Risk and Trend	Description
Real estate and household indebtedness (cont.) ⇨	Soaring house prices have been one of the causes of the country's high indebtedness since the early 2000s. For the time being, property prices have been resilient in the face of rising interest rates, since their impact has been offset by record population growth over the past few quarters. But, as mentioned above, a less buoyant job market could push the real estate sector into another slump. A severe recession could cause house prices to plunge, giving rise to an increase in strategic defaults. Lower debt levels in Quebec compared to the rest of Canada, due to more affordable housing prices, combined with the fact that the province has a higher percentage of households where both spouses are employed, helps limit the Bank's exposure to a significant increase in credit risk. The Bank takes all these risks into account when establishing lending criteria and estimating allowances for credit losses. It should be noted that borrowers are closely monitored on an ongoing basis, and portfolio stress tests are conducted periodically to detect any vulnerable borrowers. The Bank proactively contacts those who are identified and proposes appropriate solutions to enable them to continue to meet their commitments.
Climate change ⇗	Climate-related risk may have an impact on the traditional risks that are inherent in a financial institution's operations, including credit risk, market risk, liquidity and funding risk, and operational risk, among others. Climate risk could result in financial losses for the Bank, affect its operations and how it conducts them, in addition to harming its reputation and increasing its regulatory compliance risk, or have repercussions on the operations and financial position of its clients. It is possible that the Bank's or its clients' business models fail to align with a low-carbon economy or that their responses to government strategies and regulatory changes prove inadequate or fail to achieve the objectives within the predetermined deadlines. Consequently, to better assess this risk and adequately manage it, the Bank has integrated a climate dimension to its risk management and risk appetite frameworks to identify, measure, manage, monitor and report the impact of this risk and business opportunities. The roles and responsibilities of the three lines of defence were also defined in a climate-related risk management standard, and several other internal risk management policies now include climate-related risk in their assessment and management of these risks. The Bank also optimized some of its scenario analysis processes to assess the impact of climate on its portfolios. In addition, the rapid evolution of the global regulatory environment, the commitments and frameworks to which we adhere, and stakeholder expectations concerning our objectives, as well as the actions we take to meet them and disclosures may constitute a reputation risk and regulatory compliance risk, including due to potential imbalances among their requirements, in addition to increasing the risk of lawsuits. The many regulatory standards and projects that have been issued, such as OSFI's guideline B-15, *Climate Risk Management*; the standards of the International Sustainability Standards Board (ISSB^{tm}), the proposed standards of the Canadian Sustainability Standards Board (CSSB), the European Corporate Sustainability Reporting Directive (CSRD) designed to govern the disclosure of sustainability-related and climate-related financial information, and the CSA's proposed *National Instrument 51-107 – Disclosure of Climate-Related Matters*, are an illustration. The actual impacts of these risks will depend on future events, many of which are beyond the Bank's control, such as the effectiveness of targets set by government climate strategies or regulatory developments. The Bank must therefore devote special attention to reducing its exposure to these factors and, at the same time, to seizing new growth opportunities. Its strategies and policies have therefore been designed to consider climate-related risks while also supporting the transition to a low-carbon economy.

Risk and Trend	Description
Climate change (cont.) ↗	The Bank strives to support and advise its clients in their own transition. From this perspective, we continue to deliver climate-related risk management training across the organization. To better understand and mitigate climate-related risks, the Bank also takes part in major national and international initiatives, including the United Nations Principles for Responsible Banking (UNPRB), the United Nations Principles for Responsible Investing (UNPRI), the Net-Zero Banking Alliance (NZBA), the Partnership for Carbon Accounting Financials (PCAF), among others. The Bank continues to closely monitor regulatory developments and the development of frameworks, commitments, and stakeholder expectations, so that it can enhance its climate-related risk management framework and further adapt its disclosures. For additional information, see the Environmental and Social Risk section of this MD&A.

Other Factors That Can Affect the Bank's Business, Operating Results, Financial Position, and Reputation

Ability to Recruit and Retain Key Resources

The Bank's current and future performance depends greatly on its ability to recruit, develop, and retain key resources. Overall, attracting and retaining personnel improved in 2024 compared to 2023 and 2022. These results are explained by contextual factors such as immigration and higher unemployment. Challenges remain for some administrative and client-facing positions, and targeted actions are taken for these groups. Despite our improved ability to attract and retain key talents, we continue to monitor this risk. Reports are submitted quarterly to the Board's Human Resources Committee. In addition, we make significant improvements to our talent recruiting, integration and development processes. A new recruitment experience was deployed in 2024 and will continue to be enhanced. We will also begin to gradually deploy a new development experience platform at the end of 2024.

International Risks

Through the operations of some of the Bank's units (mainly its New York and London offices) and subsidiaries in Canada and abroad (in particular Credigy Ltd., NBC Global Finance Limited, and Advanced Bank of Asia Limited), the Bank is exposed to risks arising from its presence in international markets and foreign jurisdictions. While these risks do not affect a significant proportion of the Bank's portfolios, their impact must not be overlooked, especially those that are of a legal or regulatory nature. International risks can be particularly high in territories where the enforceability of agreements signed by the Bank is uncertain, in countries and regions facing political or socioeconomic disturbances, or in countries that may be subject to international sanctions. Generally speaking, there are many ways in which the Bank may be exposed to the risks posed by other countries, not the least of which being foreign laws and regulations. In all such situations, it is important to consider what is referred to as "country risk." Country risk affects not only the activities that the Bank carries out abroad, but also the business that it conducts with non-resident clients as well as the services it provides to clients doing business abroad, such as electronic funds transfers or international products, and operations made from Canada in foreign currencies.

As part of its activities, the Bank must adhere to AML/ATF regulatory requirements in effect in each jurisdiction where it conducts business. It must also comply with the requirements pertaining to current international sanctions in these various jurisdictions. AML/ATF risk is a financial, regulatory, and reputation risk. For additional information, see the Regulatory Compliance Risk Management section of this MD&A.

The Bank is exposed to financial risks outside Canada and the United States primarily through its interbank transactions on international financial markets or through international trade financing activities. This geographic loan exposure represents a moderate proportion of the Bank's total risk. The geographic spread of loans is disclosed in the quarterly *Supplementary Financial Information* report available on the Bank's website at nbc.ca. To control country risk, the Bank sets credit concentration limits by country and reviews and submits them to the Board for approval upon renewal of the Credit Risk Management Policy. These limits are based on a percentage of the Bank's regulatory capital, in line with the level of risk represented by each country, particularly emerging countries. The risk is rated using a classification mechanism similar to the one used for credit default risk. In addition to the country limits, authorization caps and limits are established, as a percentage of equity, for the world's high-risk regions, i.e., essentially all regions except for North America, Western Europe, and the developed countries of Asia.

Acquisitions

The Bank's ability to successfully complete an acquisition is often conditional on regulatory approval. The Bank cannot be certain of the timing or conditions of regulatory decisions. Acquisitions could affect future results should the Bank experience difficulty integrating the acquired business. If the Bank does encounter difficulty integrating an acquired business, maintaining an appropriate governance level over it or retaining key officers within said business, these factors could prevent the Bank from realizing expected revenue growth, cost savings, market share gains, and other projected benefits of the acquisition.

Intellectual Property

The Bank adopts various strategies to protect its intellectual property rights. However, the protection measures that it may obtain or implement do not guarantee that it will be able to dissuade or prevent anyone from infringing its rights or to obtain compensation when infringement occurs. Moreover, the goods and services developed by the Bank are provided in a competitive market where third parties could hold intellectual property rights prior to those held by the Bank. In addition, financial technologies are the subject of numerous developments in intellectual property and patent applications, both in Canada and internationally. Therefore, in certain situations, the Bank could be limited in its ability to acquire intellectual property rights, develop tools, or market certain products and services. It could also infringe the rights of third parties, which could lead to legal action brought against the Bank.

Judicial and Regulatory Proceedings

The Bank takes reasonable measures to comply with the laws and regulations in effect in the jurisdictions where it operates. Still, the Bank could be subject to judicial or regulatory decisions resulting in fines, damages or other costs, or to restrictions likely to adversely affect its operating results or its reputation. The Bank may also be subject to litigations in the normal course of business. Although the Bank establishes provisions for the measures it is subject to under accounting requirements, actual losses resulting from such litigations could differ significantly from the recognized amounts, and unfavourable outcomes in such cases could have a significant adverse effect on the Bank's operating results. The resulting reputational damage could also affect the Bank's future business prospects. For additional information, see Note 28 to the Consolidated Financial Statements.

Tax Risk

The tax laws applicable to the Bank are numerous, complex, and subject to amendment at any time. This complexity can result in differing legal interpretations between the Bank and the respective tax authorities it deals with. In addition, legislative changes and changes in tax policy, including the interpretation thereof by tax authorities and courts, could affect the Bank's earnings. International and domestic initiatives may also result in changes to tax laws and policies, including international efforts by the G20 and the Organisation for Economic Co-operation and Development (OECD) to broaden the tax base. For additional information on income taxes, see the Income Taxes and Material Accounting Policies and Accounting Estimates sections of this MD&A, and Note 26 to the Consolidated Financial Statements.

Accounting Policies, Methods and Estimates Used by the Bank

The accounting policies and methods used by the Bank determine how the Bank reports its financial position and operating results and require management to make estimates or assumptions about matters that are inherently uncertain. Any changes to these estimates and assumptions may have a significant impact on the Bank's operating results and financial position.

Additional Factors

Lastly, several other factors could have an impact on the Bank's operations, operating results, financial position, and reputation, including: unexpected changes in consumer spending and saving habits; the timely development and launch of new products and services; the ability to successfully align its organizational structure, resources, and processes; the ability to activate a business continuity plan within a reasonable time; the repercussions on the Bank's activities of international conflicts, natural disasters or public health emergencies such as pandemics; and the Bank's ability to foresee and effectively manage the risks resulting from these factors through rigorous risk management.

Credit Risk

Credit risk is the risk of incurring a financial loss if an obligor does not fully honour its contractual commitments to the Bank. Obligors may be borrowers, issuers, guarantors or counterparties. Credit risk is the most significant risk facing the Bank in the normal course of its business. The Bank is exposed to credit risk not only through its direct lending activities and transactions but also through commitments to extend credit and through letters of guarantee, letters of credit, over-the-counter derivatives trading, debt securities, securities purchased under reverse repurchase agreements, deposits with financial institutions, brokerage activities, and transactions carrying a settlement risk for the Bank such as irrevocable fund transfers to third parties via electronic payment systems.

Governance

A policy framework centrally governs the activities that generate credit risk for the Bank and its subsidiaries and is supplemented by a series of subordinate internal policies and standards. These policies and standards address specific management issues such as concentration limits by borrower group and business sector, credit limits, collateral requirements, and risk quantification or issues that provide more thorough guidance for given business segments.

For example, the institutional activities of the Bank and its subsidiaries on financial markets and international commercial transactions are governed by business unit directives that set out standards adapted to the specific environment of these activities. This also applies to retail brokerage subsidiaries. In isolated cases, a business unit or subsidiary may have its own credit policy, and that policy must always fall within the spirit of the Bank's policy framework. Risk Management's leadership team defines the scope of the universe of subsidiaries carrying significant credit risks and the magnitude of the risks incurred.

Credit risk is controlled through a rigorous process that comprises the following elements:

- credit risk rating and assessment;
- economic capital assessment;
- stress testing;
- credit granting process;
- revision and renewal process;
- risk mitigation;
- follow-up of monitored accounts and recovery;
- counterparty risk assessment;
- settlement risk assessment;
- environmental risk assessment.

Concentration Limits

The risk appetite is allocated based on the setting of concentration limits. The Bank sets credit concentration and settlement limits by obligor group, by business sector, by country, and by region. These limits are subject to the approval of the RMC. Certain types of financing or financing programs are also subject to specific limits. Breaches of concentration limits by obligor group or by region are reported to the RMC each quarter. Furthermore, every business sector, country, and region whose exposure equals a predetermined percentage of the corresponding authorized limit is reported to the Bank's Risk Management leadership team. At least once a year, the Bank revises these exposures by business sector, by country, and by region in order to determine the appropriateness of the corresponding concentration limits.

Reporting

Every quarter, an integrated risk management report is presented to senior management and the RMC. It presents changes in the credit portfolio and highlights on the following matters:

- credit portfolio volume growth by business segment;
- breakdown of the credit portfolio according to various criteria for which concentration limits have been set;
- changes in provisions and allowances for credit losses;
- changes in impaired loans;
- changes in monitored accounts;
- changes in delinquency;
- monitoring of OSFI's *Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures*.

Credit Risk Rating and Assessment

Before a sound and prudent credit decision can be made, an obligor's or counterparty's credit risk must be accurately assessed. This is the first step in processing credit applications. Using a credit risk rating system developed by the Bank, each application is analyzed and assigned one of 19 grades on a scale of 1 to 10 for all portfolios exposed to credit risk. As each grade corresponds to an obligor's, counterparty's, or third party's probability of default, the Bank can estimate the credit risk. The credit risk assessment method varies according to portfolio type. There are two main methods for assessing credit risk to determine minimum regulatory capital requirements for most of its portfolios, the Internal Ratings-Based (IRB) Approach and the revised Standardized Approach, as defined by the Basel Accord. The IRB Approach applies to most of its credit portfolios. Since the implementation of the Basel III reforms in April 2023, the Bank must use the Foundation Internal Ratings-Based (FIRB) Approach for certain specific exposure types such as financial institutions, including insurance companies, or large corporations that belong to a group whose consolidated annual sales exceed $750 million. For all other exposure types treated under an IRB Approach, the Bank uses the Advanced Internal Ratings-Based (AIRB) Approach.

The main parameters used to measure credit risk in accordance with the IRB Approach are as follows:

- probability of default (PD), which is the probability of through-the-cycle 12-month default by the obligor, calibrated on a long-run average PD throughout a full economic cycle;
- loss given default (LGD), which represents the magnitude of the loss from the obligor's default that would be expected in an economic downturn and subject to certain regulatory floors, expressed as a percentage of exposure at default;
- exposure at default (EAD), which is an estimate of the amount drawn and of the expected use of any undrawn portion prior to default, and cannot be lower than the current balance.

Under the FIRB approach, the Bank provides its own estimates of PD and applies OSFI's estimates for LGD and EAD. Under both IRB Approaches, risk parameters are subject to specific input floors.

The methodology as well as the data and the downturn periods used to estimate LGD under the AIRB Approach are described in the table below.

AIRB APPROACH	DATA[1]	DOWNTURN PERIOD[1]	METHODOLOGY FOR CALCULATING LGD
Retail	The Bank's internal historical data from 1996 to 2022	1996-1998 and 2008-2009	LGD based on the Bank's historical internal data on recoveries and losses
Corporate	The Bank's internal historical data from 2000 to 2023 Benchmarking results using: • Moody's observed default price of bonds, from 1983 to 2021 • Global Credit Data Consortium historical loss and recovery database from 1998 to 2021	2000-2003, 2008-2009 and 2020	LGD based on the Bank's historical recoveries and losses internal data and on Moody's data
Sovereign	Moody's observed default price of bonds, from 1983 to 2020 S&P rating history from 1975 to 2023	1999-2001 and 2008-2012	Based on implied market LGD using observed bond price decreases following the issuer's default
Financial institutions	Global Credit Data Consortium historical loss and recovery database from 1991 to 2013[2]	1991-1992, 1994, 1997-1998, 2001-2002, and 2008-2009	Model for predicting LGD based on different issue- and issuer-related risk drivers

[1] The performance of the models resulting from the AIRB Approach is measured quarterly, and the methodologies are validated by an independent third party annually. A report on model performance under the AIRB Approach is presented annually to the RMC. According to the most recent performance report, the models continue to perform well and do not require the addition of new data.

[2] An in-depth revision, including more recent data, is currently being validated and will be deployed in the coming quarters.

Personal Credit Portfolios

This category comprises portfolios of residential mortgage loans, consumer loans, and loans to certain small businesses. To assess credit risk, AIRB models are in place for the main portfolios, particularly mortgage loans, home equity lines of credit, credit cards, budget loans, lines of credit, and SME retail. A risk analysis based on loan grouping in pools of homogeneous obligor and product profiles is used for overall management of personal credit portfolios. This personal credit assessment approach, which has proven effective particularly for estimating credit defaults and losses, takes a number of factors into account, namely:

- attributes from credit rating agencies (scoring) related to behaviour;
- loan product characteristics;
- collateral provided;
- the length of time on the Bank's balance sheet;
- loan status (active, delinquent, or defaulted).

This mechanism provides adequate risk measurement inasmuch as it effectively differentiates risk levels by pool. Therefore, the results are periodically reviewed and, if necessary, adjustments are made to the models. Obligor migrations between pools are among the factors considered when assessing credit risk.

Loan pools are also established based on PD, LGD, and EAD, which are measured based on the characteristics of the obligor and the transaction itself. The credit risk of these portfolios is estimated using credit scoring models that determine the obligor's PD. LGD is estimated based on transaction-specific factors such as loan product characteristics (for example, a line of credit versus a term loan), loan-to-value ratio, and types of collateral.

Credit scoring models are also used to grant credit. These models use proven statistical methods that measure an obligor's demand characteristics and history based on internal and external historical information to estimate the obligor's future credit behaviour and assign a probability of default. The underlying data include obligor information such as current and past employment, historical loan data in the Bank's management systems, and information from external sources such as credit rating agencies.

The Bank also uses behaviour scoring models to manage and monitor current commitments. The risk assessment is based on statistical analyses of the past behaviour of obligors with which the Bank has a long-term relationship in an effort to predict their future behaviour. The underlying information includes the obligor's cash flows and borrowing trends. Information on characteristics that determine behaviour in these models also comes from both internal sources on current commitments and external sources. The table on the following page presents the PD categories and credit quality of the associated personal credit portfolio.

Mortgage Loan Underwriting

To mitigate the impact of an economic slowdown and ensure the long-term quality of its portfolio, the Bank uses sound risk management when granting residential mortgages to confirm: (i) the obligor's intention to meet its financial obligations, (ii) the obligor's ability to repay its debts, and (iii) the quality of the collateral. In addition, in accordance with the applicable rules, the Bank takes a prudent approach to client qualification by using, for example, a higher interest rate to mitigate the risk of short- or medium-term rate hikes.

Nonetheless, the risk of economic slowdown could adversely affect the profitability of the mortgage portfolio. In its stress test analyses, the Bank considers a variety of scenarios to measure the impact of adverse market conditions. In such circumstances, our analyses show higher credit losses, which would decrease profitability and reduce the Bank's capital ratios. However, it should be recalled that our mortgagors showed great resilience to interest rate increases.

Between March 2, 2022 and July 12, 2023, the Bank of Canada had raised its policy interest rate ten times, from 0.25% to 5%. This rapid increase in rates, undertaken primarily to counter inflation in Canada, continues to put pressure on the ability of borrowers to make payments, notably borrowers with variable-rate mortgages or for whom the mortgage term is up for renewal. Over the course of its last four announcements, which occurred on June 5, July 24, September 4, and October 23, 2024, the Bank of Canada lowered its policy interest rate from 5% to 3.75%.

New Regulatory Developments
The Bank also closely monitors regulatory developments and is actively involved in the various consultation processes. Regulatory developments since November 1, 2023 that should be considered are presented below.

In December 2023, OSFI stated that the stress test rule should not apply to insured mortgage switch applications between financial institutions. More specifically, insured mortgage holders should not have to requalify under the minimum qualifying rate when they switch lending institutions upon renewing their mortgage loans.

On February 5, 2024, the *Prohibition on the Purchase of Residential Property by Non-Canadians Act*, which should have been in effect until January 1, 2025, was extended to January 1, 2027. The purpose of this law is to help Canadians access the property market and to reduce speculative purchasing that risks raising the prices of properties in some already overheated markets.

During fiscal 2024, OSFI implemented a loan-to-income (LTI) limit applicable to new uninsured mortgage loans. This limit, which is intended to restrict the banks' exposure to households with high levels of debt, will come into effect in the first quarter of 2025.

Business and Government Credit Portfolios
This category comprises business (other than some small businesses that are classified in personal credit portfolios), government, and financial institution credit portfolios.

These credit portfolios are assigned a risk rating that is based on a detailed individual analysis of the financial and non-financial aspects of the obligor, including the obligor's financial strength, sector of economic activity, competitive ability, access to funds, and number of years in business. The Bank uses risk-rating tools and models to specifically assess the risk represented by an obligor in relation to its business sector and peers. The models used are adapted to the obligor's broad sector of activity. Models are in place for ten sectors: business/commercial, large business, financial institutions, sovereigns, investment funds, energy, real estate, agriculture, insurance, and public-private partnership project financing.

This risk assessment method assigns a default risk rating to an obligor that reflects its credit quality. To each default credit risk rating corresponds a PD (see the table below). Using this classification of obligor credit risk, the Bank can differentiate appropriately between the various assessments of an obligor's capacity to meet its contractual obligations. Default risk ratings are assigned according to an assessment of an obligor's commercial and financial risks based on a solvency review. Various risk quantification models, described below, are used to perform this assessment.

The business and government default risk rating scale used by the Bank is similar to the systems used by major external rating agencies. The following table presents a grouping of the ratings by major risk category and compares them with the ratings of two major rating agencies.

Internal Default Risk Ratings*

Description[1]	Personal credit portfolios	Description[1]					Business and government credit portfolios
	PD (%) – Retail		Ratings	PD (%) – Corporate and financial institutions	PD (%) – Sovereign	Standard & Poor's	Moody's
Excellent	0.000–0.144	Excellent	1–2.5	0.000–0.111	0.000–0.059	AAA to A-	Aaa to A3
Good	0.145–0.506	Good	3–4	0.112–0.383	0.060–0.330	BBB+ to BBB-	Baa1 to Baa3
Satisfactory	0.507–2.681	Satisfactory	4.5–6.5	0.384–4.234	0.331–5.737	BB+ to B	Ba1 to B2
Special mention	2.682–9.348	Special mention	7–7.5	4.235–10.181	5.738–17.963	B- to CCC+	B3 to Caa1
Substandard	9.349–99.999	Substandard	8–8.5	10.182–99.999	17.964–99.999	CCC & CCC-	Caa2 & Caa3
Default	100	Default	9–10	100	100	CC, C & D	Ca, C & D

[1] Additional information is provided in Note 8 – *Loans and Allowances for Credit Losses* to the Consolidated Financial Statements.

The Bank also uses individual assessment models by major business sector to assign a risk rating to the credit facility based on the collateral that the obligor is able to provide and, in some cases, based on other factors. The Bank consequently has a bi-dimensional risk-rating system that, using models and internal and external historical data, establishes a default risk rating for each obligor. In addition, the models assign to each credit facility an LGD risk rating that is independent of the default risk rating assigned to the obligor.

The Bank's default risk ratings and LGD risk ratings as well as the related risk parameters contribute directly to informed credit-granting, renewal, and monitoring decisions. They are also used to determine and analyze risk-based pricing. In addition, from a credit portfolio management perspective, they are used to establish counterparty credit concentration limits and sector concentration limits and limits to decision-making power as well as to determine the credit risk appetite of these portfolios. Moreover, they represent an important component in estimating expected and unexpected losses, measuring minimum required economic capital, and measuring the minimum level of capital required, as prescribed by the regulatory authorities.

The credit risk of obligors and their facilities is assessed with the PD and LGD parameters at least once a year or more often if significant changes (triggers) are observed when updating financial information or if another qualitative indicator of a deterioration in the obligor's solvency or in the collateral associated with the obligor's facilities is noted. The Bank also uses a watchlist to more actively monitor the financial position of obligors whose default-risk rating is greater than or equal to 7.0. This process seeks to minimize an obligor's default risk and allows for proactive credit risk management.

Validation

The Risk Management Group monitors the effectiveness of the risk-rating systems and associated parameters, which is also reviewed regularly in accordance with the Bank's policies. Backtesting is performed at regular intervals to validate the effectiveness of the models used to estimate PD, LGD, and EAD. For PD in particular, this backtesting takes the form of sequentially applied measures designed to assess the following criteria:

- discriminatory power of the model;
- proportion of overrides;
- model calibration;
- stability of the model's inputs and outputs.

The credit risk quantification models are developed and tested by a team of specialists with model performance being monitored by the applicable business units and related credit risk management services. Models are validated by a unit that is independent of both the specialists who developed the model and the concerned business units. Approvals of new models or changes to existing models are subject to an escalation process established by the model risk management policy. Furthermore, new models or changes to existing models that markedly impact regulatory capital must be approved by the Board before being submitted to the regulatory agencies.

The facility and default risk-rating systems, methods, and models are also subject to periodic validation, which is a responsibility shared between the development and validation teams, the frequency of which depends on the model's risk level. Models that have a significant impact on regulatory capital must be reviewed regularly, thereby further increasing the certainty that these quantification mechanisms are working as expected.

The key aspects to be validated are risk factors allowing for accurate classification of default risk by level, adequate quantification of exposure, use of assessment techniques that consider external factors such as economic conditions and credit status and, lastly, compliance with internal policies and regulatory provisions.

The Bank's credit risk assessment and rating systems are overseen by the Model Oversight Committee, the GRC, and the RMC, and these systems constitute an integral part of a comprehensive Bank-wide credit risk oversight framework. Along with the above-mentioned elements, the Bank documents and periodically reviews the policies, definitions of responsibilities, resource allocation, and existing processes.

Assessment of Economic Capital

The assessment of the Bank's minimum required economic capital is based on the credit risk assessments of obligors. These two activities are therefore interlinked. The different models used to assess the credit risk of a given portfolio type also enable the Bank to determine the default risk correlation among obligors. This information is a critical component in the evaluation of potential losses for all portfolios with credit risk. Estimates of potential losses, whether expected or not, are based on historical loss experience, portfolio monitoring, market data, and statistical modelling. Expected and unexpected losses are used in assessing the minimum required economic capital for all of the Bank's credit portfolios. The assessment of economic capital also considers the anticipated potential migrations of the default risk ratings of obligors during the remaining term of their credit commitments. The main risk factors that have an impact on economic capital are as follows:

- the obligor's PD;
- the obligor's EAD;
- the obligor's LGD;
- the default correlation among various obligors;
- the residual term of credit commitments;
- the impact of economic and sector-based cycles on asset quality.

Stress Testing

The Bank carries out stress tests to evaluate its sensitivity to crisis situations in certain business sectors and key portfolios. A global stress test methodology covers most business, government, and personal credit portfolios to provide the Bank with an overview of the situation. By simulating specific scenarios, these tests enable the Bank to measure allowances for credit losses according to IFRS 9 – *Financial Instruments* (IFRS 9), to assess the level of regulatory capital needed to absorb potential losses, and to determine the impact on its solvency. In addition, these tests contribute to portfolio management as they influence the determination of concentration limits by obligor, product, or business sector. During fiscal 2023 and 2024, several simulations were carried out to assess the impact of rising interest rates and inflation on the financial positions of borrowers. Based on these simulations, the Bank was able to test the resilience of clients, and, in turn, the resilience of the Bank's loan portfolio.

Credit-Granting Process

Credit-granting decisions are based first and foremost on the results of the risk assessment. Aside from a clients' solvency, credit-granting decisions are also influenced by factors such as available collateral and guarantees, transaction compliance with policies, standards and procedures, and the Bank's overall risk-adjusted return objective. Each credit-granting decision is made by various authorities within the risk management teams and management, who are independent of the business units, which are determined based on the size of the proposed credit transaction and the associated risk. Decision-making authority is determined in compliance with the delegation of authority set out in the Credit Risk Management Policy. A person in a senior position in the organization approves credit facilities that are substantial or carry a higher risk for the Bank. The GRC approves and monitors all substantial credit facilities. Credit applications that exceed management's latitudes are submitted to the Board for approval. The credit-granting process demands a high level of accountability from managers, who must proactively manage the credit portfolio.

Review and Renewal Processes

The Bank periodically reviews credit files. The review process enables the Bank to update information on the quality of the facilities and covers, among other things, risk ratings, compliance with credit conditions, collateral, and obligor behaviour. For business credit portfolios, the credit risk of all obligors is reviewed at least once per year. After this periodic review, for on-demand or unused credit, the Bank decides whether to pursue its business relationship with the obligor and, if so, revises the credit conditions. For personal credit portfolios, the credit risk of all obligors is reviewed on a continual basis.

Risk Mitigation

The Bank also controls credit risk using various risk mitigation techniques. In addition to the standard practice of requiring collateral to guarantee repayment of the credit it grants, the Bank also uses protection mechanisms such as credit derivative financial instruments, syndication, and loan assignments as well as an orderly reduction in the amount of credit granted.

The most common method used to mitigate credit risk is obtaining quality collateral from obligors. Obtaining collateral cannot replace a rigorous assessment of an obligor's ability to meet its financial obligations, but, beyond a certain risk threshold, it is an essential complement. Obtaining collateral depends on the level of risk presented by the obligor and the type of loan granted. The legal validity and enforceability of any collateral obtained and the Bank's ability to regularly and correctly measure the collateral's value are critical for this mechanism to play its proper role in risk mitigation.

In its internal policies and standards, the Bank has established specific requirements regarding the appropriate legal documentation and assessment for the kinds of collateral that business units may require to guarantee the loans granted. The categories of eligible collateral and the lending value of the collateralized assets have also been defined by the Bank. For the most part, they include the following asset categories as well as guarantees (whether secured or not by the guarantors' assets) and government and bank guarantees:

- accounts receivable;
- inventories;
- machinery and equipment and rolling stock;
- residential and commercial real estate, office buildings and industrial facilities;
- cash and marketable securities.

Portfolio Diversification and Management

The Bank is exposed to credit risk, not only through outstanding loans and undrawn amounts of commitments to a particular obligor but also through the distribution by business sector of the outstanding loans and undrawn amounts and through the exposure of its various credit portfolios to geographical, concentration, and settlement risks.

The Bank's approach to controlling these diverse risks begins with a diversification of exposures. Measures designed to maintain a healthy degree of credit risk diversification in its portfolios are set out in the Bank's policies, standards, and procedures. These instructions are mainly reflected in the application of various exposure limits: credit concentration limits by counterparty and credit concentration limits by business sector, country, region, product, and type of financial instrument. These limits are determined based on the Bank's credit risk appetite framework and are reviewed periodically. Compliance with these limits, particularly exceptions, is monitored through periodic reports submitted by the Risk Management Group's officers to the Board.

Continuous analyses are performed in order to anticipate problems with a sector or obligor before they materialize, notably as defaulted payments.

Other Risk Mitigation Methods

Credit risk mitigation measures for transactions in derivative financial instruments, which are regularly used by the Bank, are described in detail in the Counterparty Risk section.

Credit Derivative Financial Instruments and Financial Guarantee Contracts

The Bank also reduces credit risk by using the protection provided by credit derivative financial instruments such as credit default swaps. When the Bank acquires credit protection, it pays a premium on the swap to the counterparty in exchange for the counterparty's commitment to pay if the underlying entity defaults or another event involving the counterparty and covered by the legal agreement occurs. Since, like obligors, providers of credit protection must receive a default risk rating, the Bank's standards set out all the criteria under which a counterparty may be judged eligible to mitigate the Bank's credit risk. The Bank may also reduce its credit risk by entering into financial guarantee contracts whereby a guarantor indemnifies the Bank for a loss resulting from an obligor failing to make a payment when due in accordance with the contractual terms of a debt instrument.

Loan Syndication

The Bank has developed specific instructions on the appropriate objectives, responsibilities, and documentation requirements for loan syndication.

Follow-Up of Monitored Accounts and Recovery

Credit granted and obligors are monitored on an ongoing basis and in a manner commensurate with the degree of risk. Loan portfolio managers use an array of intervention methods to conduct a rigorous follow-up on files that show a high risk of default. They assess and comment on (except for small business files assessed using a behavioural model which are monitored by a Work Out unit) each identified borrower on the watchlist for whom they are responsible. A report, in which this information is consolidated, is submitted to the leadership team of the Credit Risk Management groups. When loans continue to deteriorate and there is an increase in risk to the point where monitoring has to be increased, specialized groups step in to maximize collection of the disbursed amounts and tailor strategies to these accounts.

For larger accounts, a monitoring report is submitted quarterly to a monitoring committee comprised of members of the leadership team of the Credit Risk Management groups and Internal Audit. The report is used to track the status of at-risk files and the corrective measures undertaken. At the request of the monitoring committee, some of the files will be the subject of a presentation. The authority to approve allowances for credit losses is attributed using limits delegated on the basis of hierarchical level presented in the Credit Risk Management Policy.

Information on the recognition of impaired loans and allowances for credit losses is presented in Notes 1 and 8 to the Consolidated Financial Statements.

Forbearance and Restructuring

Situations where a business or retail obligor begins showing clear signs of potential insolvency are managed on a case-by-case basis and require the use of judgment. The Loan Work Out Policy sets out the principles applicable in such situations to guide loan restructuring decisions and identify situations where distressed restructuring applies. A distressed restructuring situation occurs when the Bank, for economic or legal reasons related to the obligor's financial difficulties, grants the obligor a material special concession that is contrary to the Bank's policies. Such concessions could include reducing the original interest rate so that the new pricing is lower than the cost of funds, waiving a portion of principal or accrued interest in arrears and extending payments for a significant portion of the loan or interest in such a way that the new maturity date or payment terms are more reasonable given the useful life of the collateral.

The Bank has established a management framework for commercial and corporate obligors that represent higher-than-normal risk of default. It outlines the roles and responsibilities of loan portfolio managers with respect to managing high-risk accounts and the responsibilities of the Work Out units and other participants in the process. Lastly, the Credit Risk Management Policy and a management framework are used to determine the authorization limits for distressed restructuring situations. During fiscal 2024 and 2023, the amount of distressed loan restructurings was not significant.

Counterparty Risk Assessment

Counterparty risk is a credit risk that the Bank incurs on various types of transactions involving financial instruments. The most significant risks are those it faces when it trades derivative financial instruments with counterparties on the over-the-counter market or when it purchases securities under reverse repurchase agreements or sells securities under repurchase agreements. Securities lending transactions and securities brokerage activities are also sources of counterparty risk. Note 18 to the Consolidated Financial Statements provides a complete description of the credit risk for derivative financial instruments by type of traded product.

The Risk Management Group has developed models by type of counterparty through which it applies an advanced methodology, where applicable, for calculating the Bank's credit risk exposure and economic capital. The exposures are subject to limits. These limits are established based on the counterparty's internal default risk rating and on the potential volatility of the underlying assets until expiration of the contract.

Counterparty obligations resulting from trading derivative financial instrument contracts, securities lending transactions, and reverse repurchase agreements are frequently subject to credit risk mitigation measures. The mitigation techniques are somewhat different from those used for loans and advances and depend on the nature of the instrument or the type of contract traded. The most widely used measure is entering into master agreements: the International Swaps & Derivatives Association, Inc. (ISDA) master agreement, the Global Master Repurchase Agreement (GMRA), and the Global Master Securities Lending Agreement (GMSLA). These agreements make it possible, in the event of default, insolvency, or bankruptcy of one of the contracting parties, to apply full netting of the gross amounts of the market values for each of the transactions covered by the agreement in force at the time of default. The amount of the final settlement is therefore the net balance of gains and losses on each transaction, which reduces exposure when a counterparty defaults. The Bank's policies require that an ISDA, GMRA, or GMSLA agreement be signed with its trading counterparties to derivatives, foreign exchange forward contracts, securities lending transactions, and reverse repurchase agreements.

Another credit risk reduction mechanism for derivatives and foreign exchange forward contracts complements the ISDA master agreement in many cases and provides the Bank and its counterparty (or either of the parties, if need be) with the right to request collateral from the counterparty when the net balance of gains and losses on each transaction exceeds a threshold defined in the agreement. These agreements on initial margins and variation margins are a regulatory requirement when financial institutions trade with each other or with governments and central banks on international financial markets because they limit the extent of credit risk and reduce the idiosyncratic risk associated with trading derivative financial instruments and foreign exchange forwards, while giving traders additional leeway to continue trading with the counterparty. When required by regulation (notably, by OSFI), the Bank always uses this type of legal documentation in transactions with financial institutions. For transactions with businesses, the Bank prefers to use internal mechanisms, notably involving collateral and mortgages/hypothecs, set out in the credit agreements. Finally, when possible the Bank goes through central clearing counterparties as a counterparty credit risk mitigation method. The Bank's internal policies set the conditions governing the implementation of such mitigation methods.

Requiring collateral as part of a securities lending transaction or reverse repurchase agreements is not solely the result of an internal credit decision. In fact, it is mandatory for the purpose of meeting the accounting, balance sheet and regulatory capital treatment requirements pursuant to applicable accounting rules and rules imposed by self-regulating organizations in the financial services sector such as the Canadian Investment Regulatory Organization (CIRO).

The Bank has identified circumstances in which it is likely to be exposed to wrong-way risk. There are two types of wrong-way risk: general wrong-way risk and specific wrong-way risk. General wrong-way risk occurs when the probability of default of the counterparties is positively correlated to general market risk factors. Specific wrong-way risk occurs when the exposure to a specific counterparty is positively correlated to the probability of default of the counterparty due to the nature of the transactions with this counterparty.

Assessment of Settlement Risk

Settlement risk potentially arises from transactions that feature reciprocal delivery of cash or securities between the Bank and a counterparty. Foreign exchange contracts are an example of transactions that can generate significant levels of settlement risk. However, the implementation of multilateral settlement systems that allow settlement netting among participating institutions has contributed greatly to reducing the risks associated with the settlement of foreign exchange transactions among banks. The Bank also uses financial intermediaries to gain access to established clearing houses in order to minimize settlement risk for certain derivative financial instrument transactions. In some cases, the Bank may have direct access to established clearing houses for settling financial transactions such as repurchase agreements or reverse repurchase agreements. In addition, certain over-the-counter derivative financial instruments are settled directly or indirectly by central counterparties. For additional information, see the table that presents notional amounts in Note 18 to the Consolidated Financial Statements.

There are several other types of transactions that may generate settlement risk, in particular the use of certain electronic fund transfer services. This risk refers to the possibility that the Bank may make a payment or settlement on a transaction without receiving the amount owed by the counterparty, and with no opportunity to recover the funds delivered (irrevocable settlement).

For the Bank, the ultimate way to eliminate such a risk is to make no payments or settlements until it receives the funds due from the counterparty. Such an approach cannot, however, be used systematically. For several electronic payment services, the Bank is able to implement mechanisms that allow it to make its transfers revocable or to debit the counterparty in the amount of the settlements before it makes its own transfer. On the other hand, the nature of transactions in financial instruments makes it impossible for such practices to be widely used. For example, on foreign exchange transactions involving a currency other than the U.S. dollar, time zone differentials impose strict payment schedules on the parties. The Bank cannot unduly postpone a settlement without facing penalties, due to the large size of the amounts involved.

The most effective way for the Bank to control settlement risks, both for financial market transactions and irrevocable transfers, is to impose internal risk limits based on the counterparty's ability to pay.

Assessment of Environmental Risk

Environmental risk refers to the impacts on credit risk that may lead to reduced repayment capacity, or a lower value of the asset pledged as collateral due to environmental events, such as soil contamination, waste management, or a spill of materials considered hazardous, to the energy transition, or to extreme weather events. Ultimately, environmental risk can lead to both a higher probability of default and higher provisions for credit losses in cases of default by counterparties. In addition to the measures and guidelines adopted by the various levels of government, the Bank has a set of protective measures to follow in order to identify and reduce the potential, current, or future environmental risks to which it is exposed when it grants credit to clients. In recent years, the risk management framework has been expanded to include new measures for identifying, assessing, controlling, and monitoring climate risk. In addition, the Bank has developed and is gradually deploying a process used to assess and quantify the impacts of climate change on its strategy and results. For clients operating in specific industries, the risk analysis framework involves the collection of information on carbon footprint, a classification of climate risks (physical and transitional) according to business sector and industry, their strategic positioning, and the existence of an energy transition plan (commitments, reduction targets, diversification of activities). These various subjects are addressed, at least once a year, as part of the credit granting, review, and renewal processes.

The Bank also assesses its exposure to environment-related credit risk using a variety of control and monitoring mechanisms. For example, analyses are performed on the loan portfolio's vulnerabilities to physical risks and transition risks; these analyses are applied to all financing activities. Moreover, for several years the Bank has been carrying out climate risk impact analyses using the scenarios recommended by the Network for Greening the Financial System (NGFS). In doing so, the Bank was able to quantify expected losses related to its loan portfolio. The Bank also takes part in standardized climate scenario exercises to strengthen its abilities and refine its expertise. In addition, the Bank periodically assesses the impact of environmental risk on the loan portfolio concentration risk to ensure that there is no significant impact on this risk. Furthermore, a loan portfolio business sector matrix has been developed to provide the Risk Management Group with a clear vision of the sectors that are most affected by climate-related risks. These initiatives allow the Bank to take concrete steps in the process used to review sectoral limits, as each business sector or industry now has an ESG section describing its environmental risk.

Maximum Credit Risk Exposure

The amounts in the following tables represent the Bank's maximum exposure to credit risk as at the financial reporting date without considering any collateral held or any other credit enhancements. These amounts do not include allowances for credit losses nor amounts pledged as collateral. The tables also exclude equity securities.

Maximum Credit Risk Exposure Under the Basel Asset Categories[1]*

(millions of Canadian dollars)								As at October 31, 2024
	Drawn[2]	Undrawn commitments	Repo-style transactions[3]	Derivative financial instruments	Other off-balance-sheet items[4]	Total	Standardized Approach[5]	IRB Approach
Retail								
Residential mortgage	80,861	8,905	–	–	–	89,766	13 %	87 %
Qualifying revolving retail	3,335	11,867	–	–	–	15,202	– %	100 %
Other retail	17,237	2,526	–	–	37	19,800	13 %	87 %
	101,433	23,298	–	–	37	124,768		
Non-retail								
Corporate	96,023	31,921	42,395	234	8,813	179,386	21 %	79 %
Sovereign	65,758	5,982	79,859	–	283	151,882	3 %	97 %
Financial institutions	8,797	1,095	133,787	2,640	1,700	148,019	22 %	78 %
	170,578	38,998	256,041	2,874	10,796	479,287		
Trading portfolio	–	–	–	17,507	–	17,507	3 %	97 %
Securitization	4,885	–	–	–	6,480	11,365	93 %	7 %
Total – Gross credit risk	276,896	62,296	256,041	20,381	17,313	632,927	16 %	84 %
Standardized Approach[5]	39,868	1,209	47,241	2,870	7,015	98,203		
IRB Approach	237,028	61,087	208,800	17,511	10,298	534,724		
Total – Gross credit risk	276,896	62,296	256,041	20,381	17,313	632,927	16 %	84 %

(millions of Canadian dollars)								As at October 31, 2023
	Drawn[2]	Undrawn commitments	Repo-style transactions[3]	Derivative financial instruments	Other off-balance-sheet items[4]	Total	Standardized Approach[5]	IRB Approach
Retail								
Residential mortgage	77,073	9,094	–	–	–	86,167	12 %	88 %
Qualifying revolving retail	3,183	12,052	–	–	–	15,235	– %	100 %
Other retail	16,078	2,692	–	–	33	18,803	13 %	87 %
	96,334	23,838	–	–	33	120,205		
Non-retail								
Corporate	91,994	27,846	38,549	385	6,915	165,689	18 %	82 %
Sovereign	61,438	5,921	61,580	–	267	129,206	3 %	97 %
Financial institutions	6,719	1,002	98,222	3,013	1,506	110,462	23 %	77 %
	160,151	34,769	198,351	3,398	8,688	405,357		
Trading portfolio	–	–	–	13,778	–	13,778	2 %	98 %
Securitization	4,351	–	–	–	5,318	9,669	92 %	8 %
Total – Gross credit risk	260,836	58,607	198,351	17,176	14,039	549,009	15 %	85 %
Standardized Approach[5]	35,461	1,260	34,717	3,211	5,568	80,217		
IRB Approach	225,375	57,347	163,634	13,965	8,471	468,792		
Total – Gross credit risk	260,836	58,607	198,351	17,176	14,039	549,009	15 %	85 %

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] Excludes equity securities and certain other assets such as investments in deconsolidated subsidiaries and joint ventures, right-of-use properties and assets, goodwill, deferred tax assets, and intangible assets.
[3] Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.
[4] Letters of guarantee, documentary letters of credit, and securitized assets that represent the Bank's commitment to make payments in the event that an obligor cannot meet its financial obligations to third parties.
[5] Includes exposures to qualifying central counterparties (QCCP).

Market Risk

Market risk is the risk of financial losses arising from movements in market prices. Market risk comes from a number of factors, particularly changes to market variables such as interest rates, credit spreads, exchange rates, equity prices, commodity prices, and implied volatilities. The Bank is exposed to market risk through its participation in trading, investment, and asset/liability management activities. Trading activities involve taking positions on various instruments such as bonds, shares, currencies, commodities, or derivative financial instruments. The Bank is exposed to non-trading market risk through its asset/liability management and investment portfolios.

The trading portfolios include positions in financial instruments and commodities held either for trading or for hedging other items of the trading book. Positions held for trading are those held for short-term resale and/or with the intent of taking advantage of actual or expected short-term price movements or to lock in arbitrage profits, and for hedging risks that arise from financial instruments. The Bank's strategic objectives in undertaking trading activities include market making, facilitating client transactions, and managing risks associated with these activities.

Non-trading portfolios include financial instruments intended to be held to maturity as well as those held for daily cash management or for the purpose of maintaining targeted returns or ensuring asset and liability management.

Governance

The Bank has a framework to oversee market risk, ensure strong governance and comply with industry practices and regulations. A market risk management policy governs global market risk management across the Bank's business units and subsidiaries that are exposed to this type of risk. It is approved by the GRC. The policy sets out the principles for managing market risk and the framework that defines risk measures, control and monitoring activities, how market risk limits are set and the mechanisms for reporting and escalating breaches. The Bank's risk management framework also includes guiding principles for assigning transactions to either the trading portfolio or the banking book as well as the requirements for identifying and monitoring stale positions.

The Financial Markets Risk Committee oversees all Financial Markets segment risks that could adversely affect the Bank's results, liquidity, or capital. This committee also oversees the Financial Markets segment's risk framework to ensure that controls are in place to contain risk in accordance with the Bank's risk appetite framework.

The market risk limit framework ensures the link and coherence between the Bank's market risk appetite targets and the day-to-day market risk management by all parties involved, notably senior management, the business units, and the Market Risk teams in their independent control function. The Bank's monitoring and reporting process consists of comparing market risk exposure to alert levels and to the market risk limits established for all limit authorization and approval levels.

Assessment of Market Risk

The Risk Management Group uses a variety of risk measures to estimate the size of potential financial losses under more or less severe scenarios, using both short-term and long-term time horizons. For short-term horizons, the Bank's risk measures include Value-at-Risk (VaR) and sensitivity metrics. For long-term horizons or sudden significant market moves, including those due to a lack of market liquidity, the risk measures include stress testing across an extensive range of scenarios.

VaR Model

VaR is a statistical measure of risk that is used to quantify market risks by activity and by risk type. VaR is defined as the maximum loss at a specific confidence level over a certain horizon under normal market conditions. The VaR method has the advantage of providing a uniform measurement of financial-instrument-related market risks based on a single statistical confidence level and time horizon.

For VaR, the Bank uses a historical price distribution to compute the probable loss levels at a 99% confidence level, using a two-year history of daily time series of risk factor changes. VaR is the maximum daily loss that the Bank could incur, in 99 out of 100 cases, in a given portfolio. In other words, the loss could exceed that amount in only one out of 100 cases.

The trading VaR is measured by assuming a holding period of one day for ongoing market risk management. VaR is calculated on a daily basis both for major classes of financial instruments (including derivative financial instruments) and for all trading portfolios in the Financial Markets segment and the Bank's Global Funding and Treasury Group.

The VaR methodology is well suited to measuring risk under normal market conditions, in particular for trading positions in liquid financial markets. However, there are limitations in measuring risks with this method when extreme and sudden market risk events occur and, consequently, the Bank's market risk could likely be underestimated. VaR methodology limitations include the following:

- past changes in market risk factors may not always produce accurate predictions of the distribution and correlations of future market movements;
- a VaR with a daily time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day;
- the market risk factor historical database used for VaR calculation may not reflect potential losses that could occur under unusual market conditions (e.g., periods of extreme illiquidity) relative to the historical period used for VaR estimates;
- the use of a 99% VaR confidence level does not reflect the extent of potential losses beyond that percentile.

Given the limitations of VaR, this measure represents only one component of risk management oversight, which also incorporates, among other measures, stress testing, sensitivity analysis, and concentration and liquidity limits and analysis.

The Bank also conducts backtesting of the VaR model. It consists of comparing the profits and losses to the statistical VaR measure. Backtesting is essential to verifying the VaR model's capacity to adequately forecast the maximum risk of market losses and thus validate, retroactively, the quality and accuracy of the results obtained using the model. If the backtesting results present material discrepancies, the VaR model could be revised in accordance with the Bank's model risk management framework. All market risk models and their performance are subject to periodic independent validation by the model validation group.

Controlling Market Risk

A comprehensive set of limits is applied to market risk measures, and these limits are monitored and reported on a regular basis. Instances when limits are exceeded are reported to the appropriate management level. The risk profiles of the Bank's operations remain consistent with its risk appetite and the resulting limits, and are monitored and reported to traders, management of the applicable business unit, senior management, and Board committees. To maintain market risk within risk appetite, the Bank hedges exposures as appropriate by utilizing cash and derivative financial instruments.

Under specific conditions, market risks such as interest rate, credit, or equity risks can be mitigated through derivative financial instruments transactions involving the trading portfolio via an Internal Risk Transfer (IRT). Interest rate IRTs are handled through a dedicated IRT desk approved by OSFI, while credit and equity IRTs occur directly between non-trading and trading portfolios. The Bank has established a framework that details IRT requirements and governance to ensure that these transactions comply with OSFI's Capital Adequacy Requirements guidelines both at the outset and on an ongoing basis.

The Bank also uses economic capital for market risk as an indicator for risk appetite and limit setting. This indicator measures the amount of capital that is required to absorb unexpected losses due to market risk events over a one-year horizon and with a determined confidence level. For additional information on economic capital, see the Capital Management section of this MD&A.

The following tables provide a breakdown of the Bank's Consolidated Balance Sheet into assets and liabilities by those that carry market risk and those that do not carry market risk, distinguishing between trading positions whose main risk measure is VaR and non-trading positions that use other risk measures.

Reconciliation of Market Risk With Consolidated Balance Sheet Items*

(millions of Canadian dollars)					As at October 31, 2024
		Market risk measures			
	Balance sheet	Trading[1]	Non-Trading[2]	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	31,549	257	20,440	10,852	Interest rate[3]
Securities					
At fair value through profit or loss	115,935	113,445	2,490	–	Interest rate[3] and equity[4]
At fair value through other comprehensive income	14,622	–	14,622	–	Interest rate[3] and equity[5]
At amortized cost	14,608	–	14,608	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	16,265	–	16,265	–	Interest rate[3][6]
Loans, net of allowances	243,032	14,572	228,460	–	Interest rate[3]
Derivative financial instruments	12,309	11,686	623	–	Interest rate[7] and exchange rate[7]
Defined benefit asset	487	–	487	–	Other[8]
Other	13,419	573	–	12,846	
	462,226	140,533	297,995	23,698	
Liabilities					
Deposits	333,545	30,429	303,116	–	Interest rate[3]
Obligations related to securities sold short	10,873	10,873	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	38,177	–	38,177	–	Interest rate[3][6]
Derivative financial instruments	15,760	15,240	520	–	Interest rate[7] and exchange rate[7]
Liabilities related to transferred receivables	28,377	10,564	17,813	–	Interest rate[3]
Defined benefit liability	103	–	103	–	Other[8]
Other	8,583	–	49	8,534	Interest rate[3]
Subordinated debt	1,258	–	1,258	–	Interest rate[3]
	436,676	67,106	361,036	8,534	

[1] Trading positions whose risk measure is total VaR. For additional information, see the table in the pages ahead that shows the VaR distribution of the trading portfolios by risk category and their diversification effect.

[2] Non-trading positions that use other risk measures.

[3] For additional information, see the tables in the pages ahead, namely, the table that shows the VaR distribution of the trading portfolios by risk category, and their diversification effect, as well as the table that shows the interest rate sensitivity.

[4] For additional information, see Note 7 to the Consolidated Financial Statements.

[5] The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 7 to the Consolidated Financial Statements.

[6] These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR.

[7] For additional information, see Notes 18 and 19 to the Consolidated Financial Statements.

[8] For additional information, see Note 25 to the Consolidated Financial Statements.

(millions of Canadian dollars) As at October 31, 2023[1]

		Market risk measures			
	Balance sheet	Trading[2]	Non-trading[3]	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	35,234	685	24,950	9,599	Interest rate[4]
Securities					
At fair value through profit or loss	99,994	98,559	1,435	–	Interest rate[4] and equity[5]
At fair value through other comprehensive income	9,242	–	9,242	–	Interest rate[4] and equity[6]
At amortized cost	12,582	–	12,582	–	Interest rate[4]
Securities purchased under reverse repurchase agreements and securities borrowed	11,260	–	11,260	–	Interest rate[4][7]
Loans and acceptances, net of allowances	225,443	12,739	212,704	–	Interest rate[4]
Derivative financial instruments	17,516	16,349	1,167	–	Interest rate[8] and exchange rate[8]
Defined benefit asset	356	–	356	–	Other[9]
Other	11,850	544	–	11,306	
	423,477	128,876	273,696	20,905	
Liabilities					
Deposits	288,173	18,126	270,047	–	Interest rate[4]
Acceptances	6,627	–	6,627	–	Interest rate[4]
Obligations related to securities sold short	13,660	13,660	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	38,347	–	38,347	–	Interest rate[4][7]
Derivative financial instruments	19,888	19,145	743	–	Interest rate[8] and exchange rate[8]
Liabilities related to transferred receivables	25,034	9,507	15,527	–	Interest rate[4]
Defined benefit liability	94	–	94	–	Other[9]
Other	7,322	–	49	7,273	Interest rate[4]
Subordinated debt	748	–	748	–	Interest rate[4]
	399,893	60,438	332,182	7,273	

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.
[2] Trading positions whose risk measure is total VaR. For additional information, see the table on the following page that shows the VaR distribution of the trading portfolios by risk category and their diversification effect.
[3] Non-trading positions that use other risk measures.
[4] For additional information, see the tables in the pages ahead, namely, the table that shows the VaR distribution of the trading portfolios by risk category, their diversification effect, as well as the table that shows the interest rate sensitivity.
[5] For additional information, see Note 7 to the Consolidated Financial Statements.
[6] The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 7 to the Consolidated Financial Statements.
[7] These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR measure.
[8] For additional information, see Notes 18 and 19 to the Consolidated Financial Statements.
[9] For additional information, see Note 25 to the Consolidated Financial Statements.

Trading Activities

The table below shows the VaR distribution of trading portfolios by risk category and their diversification effect.

VaR of Trading Portfolios[1][2]*

Year ended October 31 (millions of Canadian dollars)				2024				2023
	Low	High	Average	Period end	Low	High	Average	Period end
Interest rate	**(5.4)**	**(13.3)**	**(8.6)**	**(8.8)**	(5.2)	(11.3)	(7.4)	(8.7)
Foreign exchange	**(0.7)**	**(5.3)**	**(1.9)**	**(1.1)**	(0.9)	(5.9)	(2.7)	(5.0)
Equity	**(1.8)**	**(8.6)**	**(4.5)**	**(5.3)**	(5.1)	(10.8)	(7.6)	(6.5)
Commodity	**(0.8)**	**(2.4)**	**(1.3)**	**(1.2)**	(0.6)	(1.6)	(1.2)	(1.6)
Diversification effect[3]	**n.m.**	**n.m.**	**6.8**	**6.3**	n.m.	n.m.	9.4	10.4
Total trading VaR	**(5.0)**	**(14.1)**	**(9.5)**	**(10.1)**	(6.7)	(12.4)	(9.5)	(11.4)

n.m. Computation of a diversification effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.

[1] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[2] Amounts are presented on a pre-tax basis and represent one-day VaR using a 99% confidence level.

[3] The total trading VaR is less than the sum of the individual risk factor VaR results due to the diversification effect.

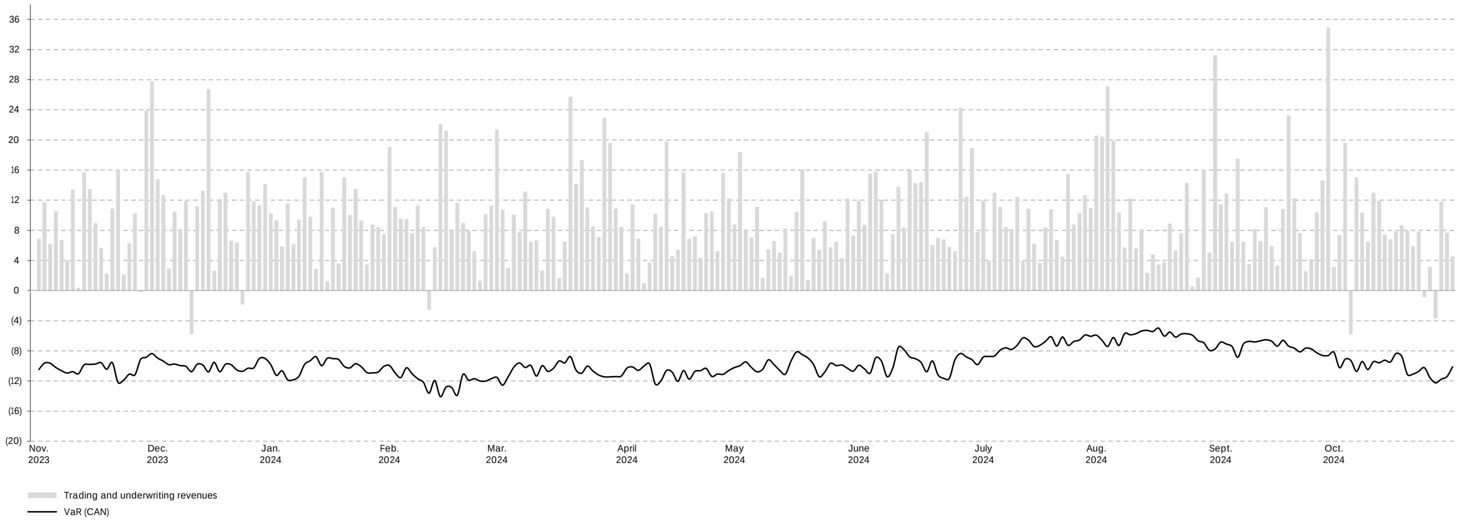
The average total trading VaR remained stable between fiscal 2023 and fiscal 2024.

The revenues generated by trading activities are compared with VaR as a backtesting assessment of the appropriateness of this risk measure as well as the financial performance of trading activities relative to the risk undertaken.

The chart below shows daily trading and underwriting revenues and VaR. Daily trading and underwriting revenues were positive on 97% of the days for the year ended October 31, 2024. Net daily trading and underwriting losses in excess of $1 million were recorded on five days. None of these losses exceeded the VaR.

Daily Trading and Underwriting Revenues

Year ended October 31, 2024
(millions of Canadian dollars)



Stress Testing

Stress testing is a risk management technique that involves estimating potential losses under abnormal market conditions and risk factor movements. This technique enhances data transparency by exploring a range of severe but plausible scenarios.

These stress tests simulate the results that the portfolios would generate if the extreme scenarios in question were to materialize. The Bank's stress testing framework, which is applied to all positions with market risk, currently comprises the following categories of stress test scenarios:

- Historical scenarios based on past major disruption situations;
- Hypothetical scenarios designed to be forward-looking in the face of potential market stresses;
- Scenarios specific to asset classes, including:
  - sharp parallel increases/decreases in interest rates; non-parallel movements of interest rates (flattening and steepening) and increases/decreases in credit spreads;
  - sharp stock market crash coupled with a significant increase in volatility of the term structure; increase in stock prices combined with less volatility;
  - significant increases/decreases in commodity prices coupled with increases/decreases in volatility; short-term and long-term increases/decreases in commodity prices;
  - depreciation/appreciation of the U.S. dollar and of other currencies relative to the Canadian dollar.

Credit Valuation Adjustment (CVA)

CVA risk is an important consideration in the valuation and the management of over-the-counter (OTC) derivatives and other financial instruments whenever counterparty risk is involved. The Bank maintains a robust and prudent governance framework for CVA risk management, including a clear definition and documentation of the objectives, the scope and the independent controls surrounding these activities. CVA risk is identified and measured using advanced analytical tools and quantitative models, and is monitored and controlled on an ongoing basis by an independent unit of the second line of defence. Additionally, risk limits are established for CVA risk, and those limits are defined by the approving authorities set out in the Bank's policies.

Interest Rate Risk in the Banking Book (IRRBB)

As part of its core banking activities, such as lending and deposit taking, the Bank is exposed to interest rate risk. Interest rate risk in the banking book (IRRBB) is the potential negative impact of interest rate fluctuations on the Bank's annual net interest income and the economic value of its equity. Activities related to hedging, investments, and term funding are also exposed to interest rate risk. The Bank's main exposure to interest rate risk stems from a variety of sources:

- yield curve risk, which refers to changes in the level, slope, and shape of the yield curve;
- repricing risk, which arises from timing differences in the maturity and repricing of on- and off-balance-sheet items;
- options risk, either implicit (e.g., prepayment of mortgage loans) or explicit (e.g., capped mortgages and rate guarantees) in balance sheet products;
- basis risk that is caused by an imperfect correlation between different yield curves.

The Bank's exposure to IRRBB is assessed and controlled mostly through the impact of stress scenarios and market shocks on the economic value of the Bank's equity and on 12-month net interest income projections. These two metrics are calculated daily. They are based on cash flow projections prepared using a number of assumptions. Specifically, the Bank has developed key assumptions on loan prepayment levels, deposit repayment, and the behaviour of clients that were granted rate guarantees as well as the rate and duration profile of non-maturity deposits. These specific assumptions were developed based on historical analyses and are regularly reviewed. Funds transfer pricing is a process by which the Bank's business units are charged or paid according to their use or supply of funding. Through this mechanism, all funding activities as well as the interest rate risk and liquidity risk associated with those activities are centralized in the Global Funding and Treasury Group.

Active IRRBB management can significantly enhance the Bank's profitability and shareholder value. The Bank's goal is to maximize the economic value of its equity and its annual net interest income considering its risk appetite. This goal must be achieved within prescribed risk limits and is accomplished primarily by implementing a policy framework, approved by the GRC and submitted for information purposes to the RMC, that sets a risk tolerance threshold, monitoring structures controlled by various committees, risk indicators, reporting procedures, delegation of responsibilities, and segregation of duties. The Bank also prepares an annual funding plan that includes the expected growth of assets and liabilities.

Governance

Management of the Bank's IRRBB is under the authority of the Global Funding and Treasury Group. In this role, the management team and personnel of this group are responsible for the day-to-day management of the risks inherent to IRRBB hedging decisions and related operations. They act as the primary effective challenge function with respect to the execution of these activities. The GRC approves and endorses the IRRBB exposure and strategies. The Asset Liability Committee (ALCO), comprised of members of senior management, monitors IRRBB on an ongoing basis. This committee reviews exposure to IRRBB, the use of limits, and changes made to assumptions. The Risk Management Group is responsible for assessing IRRBB, monitoring activities, and ensuring compliance with the IRRBB management policy. The Risk Management Group ensures that an appropriate risk management framework is in place and ensures compliance with the risk appetite framework and policy.

Stress Testing

Stress tests are performed on a regular basis to assess the impact of various scenarios on annual net interest income and on the economic value of equity in order to guide IRRBB management. Stress test scenarios are performed where the yield curve level, slope, and shape are shocked. Yield curve and volatility scenarios are also tested. All risk factors mentioned above are covered by specific scenarios and have Board-approved or GRC-approved risk limits.

Dynamic simulation is also used to project the Bank's future net interest income, future economic value, and future exposure to IRRBB. These simulations project cash flows of assets, liabilities, and off-balance-sheet products over a given investment horizon. Given their dynamic nature, they encompass assumptions pertaining to changes in volume, client term preference, prepayments of deposits and loans, and the yield curve.

The following table presents the potential before-tax impact of an immediate and sustained 100-basis-point increase or of an immediate and sustained 100-basis-point decrease in interest rates on the economic value of equity and on the net interest income of the Bank's non-trading portfolios for the next 12 months, assuming no further hedging is undertaken.

Interest Rate Sensitivity – Non-Trading Activities (Before Tax)*

As at October 31 (millions of Canadian dollars)			2024			2023
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
Impact on equity						
100-basis-point increase in the interest rate	**(378)**	**(57)**	**(435)**	(297)	2	(295)
100-basis-point decrease in the interest rate	**352**	**48**	**400**	272	7	279
Impact on net interest income						
100-basis-point increase in the interest rate	**121**	**(22)**	**99**	73	1	74
100-basis-point decrease in the interest rate	**(161)**	**25**	**(136)**	(103)	1	(102)

Investment Governance

The Bank has created securities portfolios comprising liquid and less liquid securities for strategic, long-term investment, and liquidity management purposes. These investments carry market risk, credit risk, liquidity risk, and concentration risk.

The investment governance framework sets out the guiding principles and general management standards that must be followed by all those who manage portfolios of these securities included in the portfolios of the Bank and its subsidiaries. Under this investment governance framework, business units that are active in managing these types of portfolios must adopt internal investment policies that set, among other things, targets and limits for the allocation of assets in the portfolios concerned and internal approval mechanisms. The primary objective is to reduce concentration risk by industry, issuer, country, type of financial instrument, and credit quality.

Overall limits in value and in proportion to the Bank's equity are set on the outstanding amount of liquid preferred shares, liquid equity securities excluding preferred shares, and instruments classified as illiquid securities in the securities portfolios. The overall exposure to common shares with respect to an individual issuer and the total outstanding amount invested in private equity funds, for investment banking services, are also subject to limits. Restrictions are also set on investments defined as special. Lastly, the Bank has a specific policy, approved by the RMC, applicable to investments in debt and equity securities, including strategic investments. Strategic investments are defined as purchases of business assets or acquisitions of significant interests in an entity for purposes of acquiring control or creating a long-term relationship.

Structural Foreign Exchange Risk

The Bank's structural foreign exchange risk arises from investments in foreign operations denominated in currencies other than the Canadian dollar. This risk, predominantly in U.S. dollars, is measured by assessing the impact of currency fluctuations on retained earnings. The Bank uses financial instruments (derivative and non-derivative) to hedge this risk. An adverse change in foreign exchange rates can also impact the Bank's capital ratios due to the amount of RWA denominated in a foreign currency. When the Canadian dollar depreciates relative to other currencies, unrealized translation gains on the Bank's net investments in foreign operations, as well as the impact on hedging transactions, are reported in other comprehensive income in shareholders' equity. In addition, the Canadian-dollar equivalent of U.S.-dollar-denominated RWA and regulatory capital deductions increases. The reverse is true when the Canadian dollar appreciates relative to the U.S. dollar. The structural foreign exchange risk is managed to ensure that the potential impacts on capital ratios and net income are within tolerable limits set by risk policies.

Liquidity and Funding Risk

Liquidity and funding risk is the risk that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity and funding risk arises when sources of funds become insufficient to meet scheduled payments under the Bank's commitments. Liquidity risk refers to the possibility that an institution may not be able to meet its financial obligations as they fall due, due to a mismatch between cash inflows and outflows, without incurring unacceptable losses.

The Bank's primary objective as a financial institution is to manage liquidity such that it supports the Bank's business strategy and allows it to honour its commitments when they come due, even in extreme conditions. This is done primarily by implementing a policy framework approved by the RMC, which establishes a risk appetite, monitoring structures controlled by various committees, risk indicators, reporting procedures, delegation of responsibilities, and segregation of duties. The Bank also prepares an annual funding plan that incorporates the expected growth of assets and liabilities.

Regulatory Environment
The Bank works closely with national and international regulators to implement regulatory liquidity standards. The Bank adapts its processes and policies to reflect its liquidity risk appetite towards these new requirements.

The *Liquidity Adequacy Requirements* (LAR) are reviewed periodically to reflect domestic and international regulatory changes. They constitute OSFI's proposed liquidity framework and include seven chapters:

- overview;
- liquidity coverage ratio (LCR);
- net stable funding ratio (NSFR);
- net cumulative cash flow (NCCF);
- operating cash flow statement;
- liquidity monitoring tools;
- intra-day liquidity monitoring tools.

LCR is used to ensure that banks can overcome severe short-term stress, while the NSFR is a structural ratio over a one-year horizon. The NCCF metric is defined as a monitoring tool that calculates a survival period. It is based on the assumptions of a stress scenario prescribed by OSFI that aims to represent a combined systemic and bank-specific crisis. The Bank publishes the quarterly average of the LCR and the end-of-quarter NSFR on a quarterly basis, whereas NCCF is produced monthly and communicated to OSFI.

On November 7, 2022, OSFI published a new guideline entitled *Assurance on Capital, Leverage and Liquidity Returns.* OSFI relies largely on the regulatory returns produced by financial institutions when assessing their safety and soundness. The purpose of this guideline is to better inform auditors and institutions on the work to be performed on regulatory returns in order to clarify and align OSFI's assurance expectations across all financial institutions. In particular, the guideline addresses the assurance that must be provided by an external audit, attestation by senior management, the assurance that must be provided by an internal audit, and the effective dates. For D-SIBs, the Internal Audit assurance requirements regarding the capital, leverage and liquidity returns commenced as of fiscal 2023, the senior management attestation and internal review requirements apply as of fiscal 2024, and the external audit assurance requirements apply as of fiscal 2025.

On October 31, 2023, OSFI announced its decision on reviewing the Liquidity Adequacy Requirements (LAR) Guideline with respect to wholesale funding sources with retail-like characteristics, specifically high-interest savings account exchange-traded funds (HISA ETFs). OSFI determined these sources to be unsecure institutional funding provided by other legal entities. Despite some retail-like characteristics and term agreements with depositors, the fact that these products are held directly by fund managers led OSFI to conclude that a 100% run-off factor for these products was appropriate. As a result, deposit-taking institutions exposed to such funding must hold sufficient high-quality liquid assets to support all HISA ETF balances that can be withdrawn within 30 days. Since January 31, 2024, all deposit-taking institutions have modified the measurement and related reporting to comply with the run-off treatment specified in the LAR. Moreover, changes for reporting the LCR were calculated retrospectively to the start of the first quarter to account for daily fluctuations in the ratio (November 1, 2023 for the Bank).

In its *Annual Risk Outlook – Fiscal Year 2024-2025*, OSFI identified liquidity and funding risk as one of the four key risks to be monitored. OSFI's approach will span key topics, with a focus on intra-day liquidity risk management, and liquidity and interest rate risk in the banking book management effectiveness in material foreign subsidiaries. In addition, OSFI will also deepen its line-of-site into the operational aspects of contingency funding plans to better understand asset monetization decisions during stress events.

In addition, this report notes that OSFI held public consultations on draft revisions to the *Liability Adequacy Requirement (LAR) Guideline* in the second quarter of 2024. The bankers' acceptance market is intrinsically linked to the CDOR rate and, given that the CDOR rate was abolished on June 28, 2024, OSFI does not believe that the preferential liquidity treatment that was in place is still justified. Consequently, revisions were made to Chapters 3 and 4 of the LAR Guideline to reflect this reality. OSFI is also revising Chapter 7, *Intra-day Liquidity Monitoring Tools*, of the LAR Guideline, as well as making consequential amendments to Chapter 1 and the *Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements Guideline*. OSFI will introduce adapted monitoring tools for direct and indirect clearers, taking into account the importance of intra-day liquidity measurement in the context of recent stress episodes. The revised guideline and associated reporting requirements will come into effect on April 1, 2025.

The Bank continues to closely monitor regulatory developments and actively participates in various consultation processes.

Governance
The Global Funding and Treasury Group is responsible for managing liquidity and funding risk. Although the day-to-day and strategic management of risks associated with liquidity, funding, and pledging activities is assumed by the Global Funding and Treasury Group, the Risk Management Group is responsible for assessing liquidity risk and overseeing compliance with the resulting policy. The Risk Management Group ensures that an appropriate risk management framework is in place and ensures compliance with the risk appetite framework. This structure provides an independent oversight and effective challenge for liquidity, funding, and pledging decisions, strategy, and exposure.

The Bank's *Liquidity and Pledging Risk Management Policy* requires review and approval by the RMC, based on recommendations from the GRC. The Bank has established four levels of limits. The first two levels involve the Bank's overall cash position and are respectively approved by the Board and the GRC, whereas the third level of limits focuses more on specific aspects of liquidity risk and is approved by the ALCO or by the Financial Markets Risk Committee, whereas the fourth level represents operational limits. The Board not only approves the supervision of day-to-day risk management and governance but also backup plans in anticipation of emergency and liquidity crisis situations. If a limit has to be revised, the Risk Management Group with the support of the Global Funding and Treasury Group, submits the proposed revision to the approving committee.

Oversight of liquidity risk is entrusted mainly to the ALCO, whose members include representatives of the Financial Markets segment, the Global Funding and Treasury Group, the Finance Group and the Risk Management Group. The ALCO ensures that senior management monitors liquidity and funding risk on an ongoing basis.

The Bank also has policies and guidelines governing its own collateral pledged to counterparties, given the potential impact of such asset transfers on its liquidity. In accordance with its *Liquidity and Pledging Risk Management Policy*, the Bank conducts simulations of potential counterparty collateral claims in the event of a Bank downgrade or other unlikely occurrences, such as large market fluctuations.

Through the ALCO, the Risk Management Group regularly reports changes in liquidity, funding, and pledging indicators and compliance with regulatory-, Board-, and GRC-approved limits. If control reports indicate non-compliance with the limits and a general deterioration of liquidity indicators, the Global Funding and Treasury Group takes remedial action. According to an escalation process, problematic situations are reported to management and to the GRC and the RMC. An executive report on the Bank's liquidity and funding risk management is submitted quarterly to the RMC; this report describes the Bank's liquidity position and informs the Board of non-compliance with the limits and other rules observed during the reference period as well as remedial actiontaken.

Liquidity Management
The Bank performs liquidity management, funding, and pledging operations not only from its head office and regional offices in Canada, but also through certain foreign centres. Although the volume of such operations abroad represents a sizable portion of global liquidity management, the Bank's liquidity management is centralized. By organizing liquidity management, funding, and pledging activities within the Global Funding and Treasury Group, the Bank can better coordinate enterprise-wide funding and risk monitoring activities. All internal funding transactions between Bank entities are controlled by the Global Funding and Treasury Group.

This centralized structure streamlines the allocation and control of liquidity management, funding, and pledging limits. Nonetheless, the *Liquidity and Pledging Risk Management Policy* contains special provisions for financial centres whose size and/or strategic importance makes them more likely to contribute to the Bank's liquidity risk. Consequently, a liquidity and funding risk management structure exists at each financial centre. This structure imposes a set of limits of varying levels, up to the limits approved by the RMC, on diverse liquidity parameters, including liquidity stress tests as well as simple concentration measures.

The Bank's funds transfer pricing system prices liquidity by allocating the cost or income to the various business segments. Liquidity costs are allocated to liquidity-intensive activities, mainly long-term loans, and commitments to extend credit and less liquid securities as well as strategic investments. The liquidity compensation is credited to the suppliers of funds, primarily funding in the form of stable deposits from the Bank's distribution network.

Short-term day-to-day funding decisions are based on a daily cumulative net cash position, which is controlled using liquidity ratio limits. Among these ratios and parameters, the Bank pays particular attention to the funds obtained on the wholesale market and to cumulative cash flows over various time horizons.

Moreover, the Bank's collateral pledging activities are monitored in relation to the different limits set by the Bank and are subject to monthly stress tests. In particular, the Bank uses various scenarios to estimate the potential amounts of additional collateral that would be required in the event of a downgrade to the Bank's credit rating.

Liquidity risk can be assessed in many different ways using different liquidity indicators. One of the key liquidity risk monitoring tools is the result over a three- month stress testing period, which is based on contractual maturity and behavioural assumptions applied to balance sheet items and off-balance-sheet commitments.

Stress Testing

The results over a three-month stress test period measure the Bank's liquidity profile by checking not only its ability to survive a three-month crisis but also the liquidity buffer it can generate with its liquid assets. This result is measured on a weekly basis using three scenarios that are designed to assess sensitivity to a crisis specific to the Bank and/or of a systemic nature. Among the assumptions behind these scenarios, deposit loss simulations are carried out based on their degree of stability, while the value of certain assets is encumbered by an amount reflecting their readiness for liquidation in a crisis. Appropriate scenarios and limits are included in the Bank's *Liquidity and Pledging Risk Management Policy*.

The Bank maintains an up-to-date, comprehensive financial contingency and crisis recovery plan that describes the measures to be taken in the event of a critical liquidity situation. This plan is reviewed and approved annually by the Board as part of business continuity and recovery planning. For additional information, see the Regulatory Compliance Risk section of this MD&A.

Liquidity Risk Appetite

The Bank monitors and manages its risk appetite through liquidity limits, ratios, and stress tests. The Bank's liquidity risk appetite is based on the following three principles:

- ensure the Bank has a sufficient amount of unencumbered liquid assets to cover its financial requirements, in both normal and stressed conditions;
- ensure the Bank keeps a liquidity buffer above the minimum regulatory requirement;
- ensure the Bank maintains diversified and stable sources of funding.

Liquid Assets

To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. The majority of the unencumbered liquid assets are held in Canadian or U.S. dollars. Moreover, all assets that can be quickly monetized are considered liquid assets. The Bank's liquidity reserves do not factor in the availability of the emergency liquidity facilities of central banks. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio[1]*

As at October 31 (millions of Canadian dollars)					2024	2023
	Bank-owned liquid assets[2]	Liquid assets received[3]	Total liquid assets	Encumbered liquid assets[4]	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	31,549	–	31,549	11,730	19,819	25,944
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	36,785	52,784	89,569	48,028	41,541	29,062
Issued or guaranteed by Canadian provincial and municipal governments	13,831	10,766	24,597	13,928	10,669	6,403
Other debt securities	6,206	3,961	10,167	2,862	7,305	10,095
Equity securities	88,343	50,395	138,738	97,766	40,972	27,253
Loans						
Securities backed by insured residential mortgages	15,455	–	15,455	6,984	8,471	6,140
As at October 31, 2024	192,169	117,906	310,075	181,298	128,777	
As at October 31, 2023	169,888	87,919	257,807	152,910		104,897

As at October 31 (millions of Canadian dollars)	2024	2023
Unencumbered liquid assets by entity		
National Bank (parent)	80,768	55,626
Domestic subsidiaries	12,023	10,013
Foreign subsidiaries and branches	35,986	39,258
	128,777	104,897

As at October 31 (millions of Canadian dollars)	2024	2023
Unencumbered liquid assets by currency		
Canadian dollar	66,970	51,882
U.S. dollar	53,960	35,243
Other currencies	7,847	17,772
	128,777	104,897

Liquid Asset Portfolio[1]* – Average[5]

Year ended October 31 (millions of Canadian dollars)					2024	2023
	Bank-owned liquid assets[2]	Liquid assets received[3]	Total liquid assets	Encumbered liquid assets[4]	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	32,009	–	32,009	10,127	21,882	32,600
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	39,282	50,400	89,682	53,082	36,600	23,388
Issued or guaranteed by Canadian provincial and municipal governments	14,085	8,093	22,178	14,826	7,352	7,236
Other debt securities	7,935	3,989	11,924	3,074	8,850	11,265
Equity securities	86,007	50,836	136,843	96,130	40,713	28,996
Loans						
Securities backed by insured residential mortgages	13,591	–	13,591	6,647	6,944	5,245
As at October 31, 2024	192,909	113,318	306,227	183,886	122,341	
As at October 31, 2023	179,054	95,841	274,895	166,165		108,730

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
[3] Securities received as collateral with respect to securities financing and derivative transactions and securities purchased under reverse repurchase agreements and securities borrowed.
[4] In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered liquid assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities, and liquid assets legally restricted from transfers.
[5] The average is based on the sum of the end-of-period balances of the 12 months of the year divided by 12.

Summary of Encumbered and Unencumbered Assets[1]*

(millions of Canadian dollars)						As at October 31, 2024
	Encumbered assets[2]		Unencumbered assets		Total	Encumbered assets as % of total assets
	Pledged as collateral	Other[3]	Available as collateral	Other[4]		
Cash and deposits with financial institutions	697	11,033	19,819	–	31,549	2.5
Securities	50,071	–	95,094	–	145,165	10.8
Securities purchased under reverse repurchase agreements and securities borrowed	–	10,872	5,393	–	16,265	2.4
Loans, net of allowances	40,296	–	8,471	194,265	243,032	8.7
Derivative financial instruments	–	–	–	12,309	12,309	–
Investments in associates and joint ventures	–	–	–	40	40	–
Premises and equipment	–	–	–	1,868	1,868	–
Goodwill	–	–	–	1,522	1,522	–
Intangible assets	–	–	–	1,233	1,233	–
Other assets	–	–	–	9,243	9,243	–
	91,064	21,905	128,777	220,480	462,226	24.4

(millions of Canadian dollars)						As at October 31, 2023[5]
	Encumbered assets[2]		Unencumbered assets		Total	Encumbered assets as % of total assets
	Pledged as collateral	Other[3]	Available as collateral	Other[4]		
Cash and deposits with financial institutions	449	8,841	25,944	–	35,234	2.2
Securities	49,005	–	72,813	–	121,818	11.6
Securities purchased under reverse repurchase agreements and securities borrowed	–	11,260	–	–	11,260	2.6
Loans and acceptances, net of allowances	36,705	–	6,140	182,598	225,443	8.7
Derivative financial instruments	–	–	–	17,516	17,516	–
Investments in associates and joint ventures	–	–	–	49	49	–
Premises and equipment	–	–	–	1,592	1,592	–
Goodwill	–	–	–	1,521	1,521	–
Intangible assets	–	–	–	1,256	1,256	–
Other assets	–	–	–	7,788	7,788	–
	86,159	20,101	104,897	212,320	423,477	25.1

[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.

[2] In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities, residential mortgage loans securitized and transferred under the Canada Mortgage Bond program, assets held in consolidated trusts supporting the Bank's funding activities, and mortgage loans transferred under the covered bond program.

[3] Other encumbered assets include assets for which there are restrictions and that cannot therefore be used for collateral or funding purposes as well as assets used to cover short sales.

[4] Other unencumbered assets are assets that cannot be used for collateral or funding purposes in their current form. This category includes assets that are potentially eligible as funding program collateral (e.g., mortgages insured by the Canada Mortgage and Housing Corporation that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

[5] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

Liquidity Coverage Ratio

The liquidity coverage ratio (LCR) was introduced primarily to ensure that banks could withstand periods of severe short-term stress. LCR is calculated by dividing the total amount of high-quality liquid assets (HQLA) by the total amount of net cash outflows. OSFI has been requiring Canadian banks to maintain a minimum LCR of 100%. An LCR above 100% ensures that banks are holding sufficient high-quality liquid assets to cover net cash outflows given a severe, 30-day liquidity crisis. The assumptions underlying the LCR scenario were established by the BCBS and OSFI's LAR *Guideline*.

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended October 31, 2024, the Bank's average LCR was 150%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements[1][2]*

(millions of Canadian dollars)			For the quarter ended
	October 31, 2024		July 31, 2024
	Total unweighted value[3] (average)	Total weighted value[4] (average)	Total weighted value[4] (average)
High-quality liquid assets (HQLA)			
Total HQLA	**n.a.**	**86,929**	80,724
Cash outflows			
Retail deposits and deposits from small business customers, of which:	**64,664**	**5,858**	5,774
Stable deposits	**27,781**	**834**	829
Less stable deposits	**36,883**	**5,024**	4,945
Unsecured wholesale funding, of which:	**116,004**	**65,742**	64,409
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**35,445**	**8,660**	8,602
Non-operational deposits (all counterparties)	**75,157**	**51,612**	47,357
Unsecured debt	**5,402**	**5,470**	8,450
Secured wholesale funding	**n.a.**	**25,691**	23,448
Additional requirements, of which:	**76,406**	**19,479**	19,152
Outflows related to derivative exposures and other collateral requirements	**25,777**	**11,228**	10,901
Outflows related to loss of funding on secured debt securities	**1,386**	**1,394**	1,635
Backstop liquidity and credit enhancement facilities and commitments to extend credit	**49,243**	**6,857**	6,616
Other contractual commitments to extend credit	**2,435**	**791**	731
Other contingent commitments to extend credit	**156,320**	**2,117**	2,105
Total cash outflows	**n.a.**	**119,678**	115,619
Cash inflows			
Secured lending (e.g., reverse repos)	**137,758**	**29,105**	27,808
Inflows from fully performing exposures	**12,816**	**8,794**	8,481
Other cash inflows	**23,372**	**23,262**	25,531
Total cash inflows	**173,946**	**61,161**	61,820
		Total adjusted value[5]	Total adjusted value[5]
Total HQLA		**86,929**	80,724
Total net cash outflows		**58,517**	53,799
Liquidity coverage ratio (%)[6]		**150 %**	152 %

n.a. Not applicable
[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
[3] Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
[4] Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates.
[5] Total adjusted values are calculated after the application of both haircuts and inflow and outflow rates and any applicable caps.
[6] The data in this table has been calculated using averages of the daily figures in the quarter.

As at October 31, 2024, Level 1 liquid assets represented 85% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian government and Canadian provincial governments. Cash outflows arise from the application of OSFI-prescribed assumptions on deposits, debt, secured funding, commitments, and additional collateral requirements. The cash outflows are partly offset by cash inflows, which come mainly from secured loans and performing loans. The Bank expects some quarter-over-quarter variation between reported LCRs without such variation being necessarily indicative of a trend. The variation between the quarter ended October 31, 2024 and the preceding quarter is a result of normal business operations. The Bank's liquid asset buffer is well in excess of its total net cash outflows. The LCR assumptions differ from the assumptions used for the liquidity disclosures presented in the tables on the previous pages or those used for internal liquidity management rules. While the liquidity disclosure framework is prescribed by the EDTF, the Bank's internal liquidity metrics use assumptions that are calibrated according to its business model and experience.

Intraday Liquidity

The Bank manages its intra-day liquidity in such a way that the amount of available liquidity exceeds its maximum intra-day liquidity requirements. The Bank monitors its intra-day liquidity on an hourly basis, and the evolution thereof is presented monthly to the ALCO.

Net Stable Funding Ratio

The BCBS has developed the Net Stable Funding Ratio (NSFR) to promote a more resilient banking sector. The NSFR requires institutions to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. A viable funding structure is intended to reduce the likelihood that disruptions to an institution's regular sources of funding would erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR is calculated by dividing available stable funding by required stable funding. OSFI has been requiring Canadian banks to maintain a minimum NSFR of 100%.

The following table provides the available stable funding and the required stable funding in accordance with OSFI's *Liquidity Adequacy Requirements Guideline*. As at October 31, 2024, the Bank's NSFR was 122%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity in a long-term position.

NSFR Disclosure Requirements[1][2]*

(millions of Canadian dollars)					As at October 31, 2024	As at July 31, 2024
	Unweighted value by residual maturity					
	No maturity	6 months or less	Over 6 months to 1 year	Over 1 year	Weighted value[3]	Weighted value[3]
Available Stable Funding (ASF) Items						
Capital:	25,540	–	–	1,258	26,798	26,610
Regulatory capital	25,540	–	–	1,258	26,798	26,610
Other capital instruments	–	–	–	–	–	–
Retail deposits and deposits from small business customers:	60,125	15,068	8,385	28,038	103,782	102,165
Stable deposits	26,338	5,346	4,420	7,813	42,111	41,773
Less stable deposits	33,787	9,722	3,965	20,225	61,671	60,392
Wholesale funding:	79,840	91,291	23,057	61,241	126,339	118,597
Operational deposits	36,740	–	–	–	18,370	17,678
Other wholesale funding	43,100	91,291	23,057	61,241	107,969	100,919
Liabilities with matching interdependent assets[4]	–	3,313	1,740	23,324	–	–
Other liabilities[5]:	15,385		10,442		760	835
NSFR derivative liabilities[5]	n.a.		317		n.a.	n.a.
All other liabilities and equity not included in the above categories	15,385	3,170	98	6,857	760	835
Total ASF	n.a.	n.a.	n.a.	n.a.	257,679	248,207
Required Stable Funding (RSF) Items						
Total NSFR high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	9,827	10,254
Deposits held at other financial institutions for operational purposes	–	–	–	–	–	–
Performing loans and securities:	66,384	97,602	30,216	97,514	167,755	166,477
Performing loans to financial institutions secured by Level 1 HQLA	163	3,514	85	–	228	258
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	6,837	57,988	1,709	2,563	11,137	10,534
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which:	34,364	27,072	18,837	33,685	83,705	82,729
With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	634	2,417	517	123	1,959	1,510
Performing residential mortgages, of which:	9,138	7,858	9,250	59,065	56,547	55,862
With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	9,138	7,858	9,250	59,065	56,547	55,862
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	15,882	1,170	335	2,201	16,138	17,094
Assets with matching interdependent liabilities[4]	–	3,313	1,740	23,324	–	–
Other assets[5]:	7,544		33,469		28,191	24,567
Physical traded commodities, including gold	696	n.a.	n.a.	n.a.	696	551
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties[5]	n.a.		12,894		10,960	10,750
NSFR derivative assets[5]	n.a.		3,453		3,136	–
NSFR derivative liabilities before deduction of the variation margin posted[5]	n.a.		9,758		488	611
All other assets not included in the above categories	6,848	4,053	1,519	1,792	12,911	12,655
Off-balance-sheet items[5]	n.a.		126,582		4,845	4,686
Total RSF	n.a.	n.a.	n.a.	n.a.	210,618	205,984
Net Stable Funding Ratio (%)	n.a.	n.a.	n.a.	n.a.	122 %	120 %

n.a. Not applicable
[1] See the Financial Reporting Method section on pages 14 to 20 for additional information on capital management measures.
[2] OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
[3] Weighted values are calculated after application of the weightings set out in OSFI's LAR Guideline.
[4] As per OSFI's specifications, liabilities arising from transactions involving the Canada Mortgage Bond program and their corresponding encumbered mortgages are given ASF and RSF weights of 0%, respectively.
[5] As per OSFI's specifications, there is no need to differentiate by maturity.

The NSFR represents the amount of ASF relative to the amount of RSF. ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of RSF of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet exposures. The amounts of ASF and RSF are calibrated to reflect the degree of stability of liabilities and liquidity of assets. The Bank expects some quarter-over-quarter variation between reported NSFRs without such variation being necessarily indicative of a trend.

The NSFR assumptions differ from the assumptions used for the liquidity disclosures provided in the tables on the preceding pages or those used for internal liquidity management rules. While the liquidity disclosure framework is prescribed by the EDTF, the Bank's internal liquidity metrics use assumptions that are calibrated according to its business model and experience.

Funding Risk
Funding risk is defined as the risk to the Bank's ongoing ability to raise sufficient funds to finance actual or proposed business activities on an unsecured or secured basis at an acceptable price. The Bank maintains a good balance of its funding through appropriate diversification of its unsecured funding vehicles, securitization programs, and secured funding. The Bank also diversifies its funding by currency, geography, and maturity. The funding management priority is to achieve an optimal balance between deposits, securitization, secured funding, and unsecured funding. This brings optimal stability to the funding and reduces vulnerability to unpredictable events.

Liquidity and funding levels remained sound and robust over the year, and the Bank does not foresee any event, commitment, or demand that might have a significant impact on its liquidity and funding risk position. For additional information, see the table entitled Residual Contractual Maturities of Balance Sheet Items and Off-Balance-Sheet Commitments in Note 31 to the Consolidated Financial Statements.

Credit Ratings
The credit ratings assigned by ratings agencies represent their assessment of the Bank's credit quality based on qualitative and quantitative information provided to them. Credit ratings may be revised at any time based on various factors, including macroeconomic factors, the methodologies used by ratings agencies, or the current and projected financial condition of the Bank. Credit ratings are one of the main factors that influence the Bank's ability to access financial markets at a reasonable cost. A downgrade in the Bank's credit ratings could adversely affect the cost, size, and term of future funding and could also result in increased requirement to pledge collateral or decreased capacity to engage in certain collateralized business activities at a reasonable cost, including hedging and derivative financial instrument transactions.

Liquidity and funding levels remain sound and robust, and the Bank continues to enjoy excellent access to the market for its funding needs. The Bank received favourable credit ratings from all the agencies, reflecting the high quality of its debt instruments, and the Bank's objective is to maintain these strong credit ratings. On August 26, 2024, S&P Global Ratings raised its long-term issuer credit rating on the Bank to "A+" and its outlook was maintained at stable. In addition, on September 24, 2024, Moody's placed the Bank's ratings under review for upgrade. As at October 31, 2024, all the other outlooks of the ratings agencies remained unchanged at "Stable". The following table presents the Bank's credit ratings according to four rating agencies as at October 31, 2024.

The Bank's Credit Ratings

				As at October 31, 2024
	Moody's	**S&P**	**DBRS**	**Fitch**
Short-term senior debt	P-1	A-1	R-1 (high)	F1+
Canadian commercial paper		A-1 (mid)		
Long-term deposits	Aa3		AA	AA-
Long-term non-bail-inable senior debt[1]	Aa3	A+	AA	AA-
Long-term senior debt[2]	A3	BBB+	AA (low)	A+
NVCC subordinated debt	Baa2 (hyb)	BBB	A (low)	
NVCC limited recourse capital notes	Ba1 (hyb)	BB+	BBB (high)	BBB
NVCC preferred shares	Ba1 (hyb)	P-3 (high)	Pfd-2	
Counterparty risk[3]	Aa3/P-1			AA-
Covered bonds program	Aaa		AAA	AAA
Rating outlook	Under review for an upgrade[4]	Stable	Stable	Stable

(1) Includes senior debt issued before September 23, 2018 and senior debt issued on or after September 23, 2018, which is excluded from the Bank Recapitalization (Bail-In) Regime.
(2) Subject to conversion under the Bank Recapitalization (Bail-In) Regime.
(3) Moody's uses the term Counterparty Risk Rating while Fitch uses the term Derivative Counterparty Rating.
(4) On September 24, 2024, Moody's has placed on review for upgrade all long-term ratings and assessments of the Bank, including its Baa1 baseline credit assessment (BCA), Aa3 long-term deposits ratings and Counterparty Risk Ratings, and its Counterparty Risk Assessment of Aa3(cr).

Guarantees

As part of a comprehensive liquidity management framework, the Bank regularly reviews its contracts that stipulate that additional collateral could be required in the event of a downgrade of the Bank's credit rating. The Bank's liquidity position management approach already incorporates additional collateral requirements in the event of a one-, two-, or three-notch downgrade. These additional collateral requirements are presented in the table below.

(millions of Canadian dollars)			As at October 31, 2024
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Derivatives[1]	21	42	88

[1] Contractual requirements related to agreements known as initial margins and variation margins.

Funding Strategy

The main objective of the funding strategy is to support the Bank's organic growth while also enabling it to survive potentially severe and prolonged crises and to meet its regulatory obligations and financial targets.

The Bank's funding framework is summarized as follows:

- pursue a diversified deposit strategy to fund core banking activities through stable deposits coming from the networks of each of the Bank's major business segments;
- maintain sound liquidity risk management through centralized expertise and management of liquidity metrics within a predefined risk appetite;
- maintain active access to various markets to ensure a diversification of institutional funding in terms of source, geographic location, currency, instrument, and maturity, whether or not funding is secured.

The funding strategy is implemented in support of the Bank's overall objectives of strengthening its franchise among market participants and reinforcing its excellent reputation. The Bank continuously monitors and analyzes market trends as well as possibilities for accessing less expensive and more flexible funding, considering both the risks and opportunities observed. The deposit strategy remains a priority for the Bank, which continues to prefer deposits to institutional funding.

The Bank actively monitors and controls liquidity risk exposures and funding needs within and across entities, business segments, and currencies. The process involves evaluating the liquidity position of individual business segments in addition to that of the Bank as a whole as well as the liquidity risk from raising unsecured and secured funding in foreign currencies. The funding strategy is implemented through the funding plan and deposit strategy, which are monitored, updated to reflect actual results, and regularly evaluated.

Diversified Funding Sources

The primary purpose of diversifying by source, geographic location, currency, instrument, maturity, and depositor is to mitigate liquidity and funding risk by ensuring that the Bank maintains alternative sources of funds that strengthen its capacity to withstand a variety of severe yet plausible institution-specific and market-wide shocks. To meet this objective, the Bank:

- takes funding diversification into account in the business planning process;
- maintains a variety of funding programs to access different markets;
- sets limits on funding concentration;
- maintains strong relationships with fund providers;
- is active in various funding markets of all tenors and for various instruments;
- identifies and monitors the main factors that affect the ability to raise funds.

The Bank is active in the following funding and securitization platforms:

- Canadian dollar Senior Unsecured Debt;
- U.S. dollar Senior Unsecured Debt programs;
- Canadian Medium-Term Note Shelf;
- U.S. dollar Commercial Paper programs;
- Euro Commercial Paper programs;
- U.S. dollar Certificates of Deposit;
- Euro Medium-Term Note program;
- Canada Mortgage and Housing Corporation securitization programs;
- Canadian Credit Card Trust II;
- Legislative Covered Bond program.

The table below presents the residual contractual maturities of the Bank's wholesale funding. The information has been presented in accordance with the categories recommended by the EDTF for comparison purposes with other banks.

Residual Contractual Maturities of Wholesale Funding[1]*

(millions of Canadian dollars)								As at October 31, 2024
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Subtotal 1 year or less	Over 1 year to 2 years	Over 2 years	Total
Deposits from banks[2]	199	–	–	532	731	–	–	731
Certificates of deposit and commercial paper[3]	1,657	7,255	10,271	9,966	29,149	139	–	29,288
Senior unsecured medium-term notes[4][5]	940	2,270	2,074	4,431	9,715	3,984	13,199	26,898
Senior unsecured structured notes	–	34	6	–	40	1,452	3,782	5,274
Covered bonds and asset-backed securities								
Mortgage securitization	–	1,897	1,216	1,740	4,853	4,169	19,355	28,377
Covered bonds	355	–	1,513	–	1,868	2,495	6,994	11,357
Securitization of credit card receivables	49	–	–	–	49	–	–	49
Subordinated liabilities[6]	–	–	–	–	–	–	1,258	1,258
	3,200	11,456	15,080	16,669	46,405	12,239	44,588	103,232
Secured funding	404	1,897	2,729	1,740	6,770	6,664	26,349	39,783
Unsecured funding	2,796	9,559	12,351	14,929	39,635	5,575	18,239	63,449
	3,200	11,456	15,080	16,669	46,405	12,239	44,588	103,232
As at October 31, 2023	3,337	6,616	15,200	6,868	32,021	12,347	34,370	78,738

[1] Bankers' acceptances are not included in this table.
[2] Deposits from banks include all non-negotiable term deposits from banks.
[3] Includes bearer deposit notes.
[4] Certificates of deposit denominated in euros are included in senior unsecured medium-term notes.
[5] Includes debts subject to bank recapitalization (Bail-In) conversion regulations.
[6] Subordinated debt is presented in this table, but the Bank does not consider it as part of its wholesale funding.

Operational Risk

Operational risk is the risk of financial losses attributable to personnel, to an inadequacy or to a failure of processes, systems, or external events. Operational risk exists for every Bank activity. Theft, fraud, cyberattacks, unauthorized transactions, system errors, human error, misinterpretation of laws and regulations, litigation or disputes with clients, inappropriate sales practice behaviour, or property damage are just a few examples of events likely to cause financial loss, harm the Bank's reputation, or lead to regulatory penalties or sanctions.

Although operational risk cannot be eliminated entirely, it can be managed in a thorough and transparent manner to keep it at an acceptable level. The Bank's operational risk management framework is built on the concept of three lines of defence and provides a clear allocation of responsibilities to all levels of the organization, as mentioned below.

Operational Risk Management Framework

The operational risk management framework is described in the Operational Risk Management Policy, which is derived from the Risk Management Policy. The operational risk management framework is aligned with the Bank's risk appetite and is made up of policies, standards, and procedures specific to each operational risk, which fall under the responsibility of specialized groups. Effective management of operational risk contributes to the operational resilience of the Bank, which ensures the implementation of an efficient approach in this respect.

The Operational Risk Management Committee (ORMC), a subcommittee of the GRC, is the main governance committee overseeing operational risk matters. Its mission is to provide oversight of the operational risk level across the organization to ensure it aligns with the Bank's established risk appetite targets. It implements effective frameworks for managing operational risk, including policies and standards, and monitors the application thereof.

The segments use several operational risk management tools and methods to identify, assess, manage and monitor their operational risks and control measures. With these tools and methods, the segments can:

- recognize and understand the inherent and residual risks to which their activities and operations are exposed;
- identify how to manage and monitor the identified risks to keep them at an acceptable level;
- proactively and continuously manage risks;
- obtain an integrated view of risk posture and the action plans that need to be put in place to achieve risk appetite targets, by combining the results of these various tools in the risk profile.

Operational Risk Management Tools and Methods

Operational Risk Taxonomy

With the aim of developing a common language for the Bank's operational risk universe, an operational risk taxonomy has been established. It is comparable to the Basel taxonomy and based on eight risk categories and two risk themes.

Collection and Analysis of Data on Internal Operational Events

The Operational Risk Unit applies a process, across the Bank and its subsidiaries, for identifying, collecting, and analyzing data on internal operational events. This process helps determine the Bank's exposure to the operational risks and operational losses incurred and assess the effectiveness of internal controls. It also helps limit operational events, keep losses at an acceptable level and, as a result, reduce potential capital charges and lower the likelihood of damage to the Bank's reputation. These data are processed and saved in a centralized database and are periodically the subject of a quality assurance exercise.

Analysis and Lessons Learned from Operational Events Observed in Other Large Businesses

By collecting and analyzing media-reported information about significant operational incidents, in particular incidents related to fraud, information security, and theft of personal information experienced by other organizations, the Bank can assess the effectiveness of its own operational risk management practices and reinforce them, if necessary.

Self-Assessment of Operational Risk

Self-assessment of operational risk gives each business unit and corporate unit the means to proactively identify and assess the new or major operational risks to which they are exposed, evaluate the effectiveness of monitoring and mitigating controls, and develop action plans to keep such risks at acceptable levels. The self-assessment is done on an ongoing basis through quarterly monitoring and in-depth analysis, or when significant changes are made to products, services, operations, markets, technological systems or business processes, which helps anticipate factors that could hinder performance or the achievement of objectives.

Key Risk Indicators

Key risk indicators are used to monitor the main operational risk exposure factors and track how risks are evolving in order to proactively manage them. The business units and corporate units define the key indicators associated with their main operational risks and assign tolerance thresholds to them. These indicators are monitored periodically and, when they show a significant increase in risk or when a tolerance threshold is exceeded, they are sent to an appropriate level in the hierarchy and action plans are implemented as required.

Scenario Analysis

Scenario analysis, which is part of a Bank-wide stress testing program, is an important and useful tool for assessing the impacts related to potentially serious events. It is used to define the risk appetite, set risk exposure limits, and engage in business planning. More specifically, scenario analysis provides management with a better understanding of the risks faced by the Bank and helps it make appropriate management decisions to mitigate potential operational risks that are inconsistent with the Bank's risk appetite.

Insurance Program

To protect itself against any material financial losses arising from unforeseeable operational risk exposure, the Bank also has adequate insurance, the nature and amount of which meet its coverage requirements.

Operational Risk Reports and Disclosures

Operational events for which the financial impact exceeds tolerance thresholds or that have a significant non-financial impact are submitted to appropriate decision-making levels. Management is obligated to report on its management process and to remain alert to current and future issues. Reports on the Bank's risk profile, highlights, and emerging risks are periodically submitted, on a timely basis, to the ORMC, the GRC, and the RMC. This reporting enhances the transparency and proactive management of the main operational risk factors.

Regulatory Compliance Risk

Regulatory compliance risk is the risk of the Bank or of one of its employees or business partners failing to comply with the regulatory requirements in effect where it does business, both in Canada and internationally. Regulatory compliance risk is present in all of the daily operations of each Bank segment.

The Bank faces an increasingly complex environment of regulatory requirements, as governments and regulatory authorities continue to implement major reforms aimed at strengthening the stability of the financial system and protecting key markets and participants. Numerous factors are creating significant pressure on human resources and the need for technological innovation, including the expansion of the Bank's international activities, increasingly complex international sanctions in a constantly evolving geopolitical environment, the growing interconnectivity of regulatory risks, and the changing expectations of the many regulatory bodies.

A situation of regulatory non-compliance can adversely affect the Bank's reputation and result in penalties and sanctions and/or restrictions on business activities, as well as increased oversight by regulators.

Organizational Structure of Compliance

Compliance is an independent oversight function within the Bank. The Senior Vice-President, Chief Compliance Officer and Chief Anti-Money Laundering Officer serves as both chief compliance officer (CCO) and chief anti-money laundering officer (CAMLO) for the Bank and its subsidiaries and foreign centres. She is responsible for implementing and updating the Bank's programs for regulatory compliance management, regulatory requirements related to AML/ATF, international sanctions, and the fight against corruption. The CCO and CAMLO has a direct relationship with the Chair of the RMC and meets with her at least once every quarter. She can also communicate directly with senior management, leaders, and directors of the Bank and of its subsidiaries and foreign centres.

Regulatory Compliance Framework
The Bank operates in a highly regulated industry. To ensure sound management of regulatory compliance, the Bank favours proactive approaches and incorporates regulatory requirements into its day-to-day operations.

Such proactive management also provides reasonable assurance that the Bank is in compliance, in all material respects, with the regulatory requirements in effect where it does business, both in Canada and internationally.

The implementation of a regulatory compliance risk management framework across the Bank is entrusted to the Compliance Service, which has the following mandate:

- implement policies and standards that ensure compliance with current regulatory requirements, including those related to AML/ATF, to international sanctions, and to the fight against corruption;
- develop compliance and AML/ATF training programs for Bank employees, leaders, and directors;
- exercise independent oversight and monitoring of the programs, policies, and procedures implemented by the management of the Bank, its subsidiaries, and its foreign centres to ensure that the control mechanisms are sufficient, respected, and effective;
- report relevant compliance and AML/ATF matters to the Bank's Board and inform it of any significant changes in the effectiveness of the risk management framework.

The Bank holds itself to high regulatory compliance risk management standards in order to earn the trust of its clients, its shareholders, the market, and the general public.

In addition, the Bank has an organization-wide AML/ATF Program designed to prevent the use of its products and services for money laundering and terrorist financing purposes. The Bank also applies the International Sanctions Program, which is designed to ensure that all financial products and activities comply with the applicable economic sanctions, as well as an Anticorruption Program aimed at preventing acts of corruption in the organization. Controls are in place to monitor and detect financial transactions that are suspected of being linked to money laundering or the financing of terrorist activities, or that are in contravention of international sanctions, and to report them to the applicable regulatory authorities.

The main regulatory developments that have been monitored over the past year are described below.

Reform of the *Official Languages Act* (federal law)
The purpose of Bill C-13, *An Act to amend the Official Languages Act, to enact the Use of French in Federally Regulated Private Businesses Act and to make related amendments to other Acts* is to provide a new legal framework and support the official languages of Canada. It modernizes the *Official Languages Act* by giving new powers to the Commissioner (compliance agreements, orders, penalties, etc.) to protect the language rights of Canadians. It also introduces a new law that confers rights and obligations on federal businesses regarding language of service (consumers) and language of work in Quebec and in other regions of Canada with a strong francophone presence. The bill was assented to on June 20, 2023. The amendments to the *Official Languages Act* then came into effect, with the new Act coming into effect by order-in-council at a later date. A consultation was initiated by Canadian Heritage to obtain industry feedback on application of the new law. The comments received will be used to set the rules of a new regulation, in particular to align the new obligations in regions with a strong French-speaking presence.

Amendments to the *Charter of the French Language* (Quebec)
An Act respecting French, the official and common language of Québec (formerly Bill 96) made amendments to the *Charter of the French Language* and other legislation. The objectives consist mainly of strengthening the presence and use of the French language in Quebec and affirming that French is the only official language of Quebec. In June 2024, the government published a new *Regulation respecting the language of commerce and business* that gives detailed information on the new requirements for contracts of adhesion and commercial advertising (assented to in July 2024). The last provisions relating to commercial advertising will come into effect on June 1, 2025.

Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances
On July 5, 2023, the Financial Consumer Agency of Canada (FCAC) published, with immediate effect, its *Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances*. This guideline sets out the FCAC's expectations for federally regulated financial institutions (FRFIs) to contribute to the protection of consumers of financial products and services by providing tailored support to natural persons with an existing residential mortgage loan on their principal residence who are experiencing severe financial stress, as a result of exceptional circumstances, and are at risk of mortgage default. These exceptional circumstances include the current combined effects of high household indebtedness, the rapid rise in interest rates in recent years, and the increased cost of living. The FCAC expects FRFIs to consider all available mortgage relief measures and to adopt an approach that reflects the personal circumstances of consumers and their financial needs. On September 1, 2023, the FCAC also published instructions for banks to file their reports with the FCAC relating to the implementation of the *Guideline on Existing Consumer Mortgages in Exceptional Circumstances*.

An Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023 concerning external complaints bodies (ECBs)
Bill C-47, enacted in June 2023, amends the *Bank Act* and gives the Minister of Finance the power to designate only one ECB to address consumer complaints involving banks. These amendments require a bank that is a subject of a complaint received by the ECB to provide the designated ECB, without delay, with all information in its possession or control that relates to the complaint. The Minister of Finance may also increase the FCAC's oversight and enforcement powers with respect to the ECB, and allow the FCAC to conduct a special audit of the ECB. The Ombudsman for Banking Services and Investments (OBSI) was selected as the exclusive ECB, and all banks not already conducting business with the OSBI were required to complete a transfer by November 1, 2024.

Budget Implementation Act, 2023, No. 1 and *Criminal Interest Rate Regulations*
On December 23, 2023, the federal government released its *Criminal Interest Rate Regulations* for public consultation. The purpose of these draft regulations is to implement the amendments to the *Criminal Code* proposed in the *Budget Implementation Act, No. 1, 2023,* which will change the calculation method from one based on an effective annual rate to a method based on an annual percentage rate and lower the criminal interest rate from an APR of 45% to 35%. Implementation is scheduled for January 1, 2025.

Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Activities
Changes to reporting forms resulting from amendments made to the regulations set out in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*(AML/ATF) have been implemented in accordance with the requirements of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

Protection of Personal Information
Given changing technologies and societal behaviours, privacy and the protection of personal information is a topical issue in Canada. Recent regulatory measures around the world reflect a desire to implement a stronger legislative framework in the areas of confidentiality and use of personal information. In Quebec, most of the obligations of the new Act 25, *An Act to modernize legislative provisions as regards the protection of personal information*, came into effect in September 2023. Act 25 has introduced substantial changes regarding the protection of personal information, mainly by promoting transparency, enhancing data confidentiality levels, and providing a framework for the collection, use, and sharing of personal information. In addition, the *Regulation respecting the anonymization of personal information* came into force in May 2024, and the final component of Law 25 concerning the data portability right came into force in September 2024. The Regulation sets out the criteria to be met when a company anonymizes personal information in order to use it for serious and legitimate purposes, rather than destroying it. As for the data portability right, it enables individuals to have information communicated to them in a structured, commonly used technological format. At the federal level, Bill C-27, tabled in June 2022, enacts three new laws: the *Consumer Privacy Protection Act*, the *Personal Information and Data Protection Tribunal Act*, the *Artificial Intelligence and Data Act*. The latter act is the first bill designed to regulate artificial intelligence in Canada. Still at the federal level, the *Consumer-Driven Banking Act* was enacted on June 20, 2024. This law establishes Canada's first legislative framework for an open banking system, which aims to enable consumers and small businesses to transfer their financial data between financial institutions and accredited financial applications in a secure and user-friendly manner.

Employment Equity Act
Amendments to the *Employment Equity Regulations* introduced new pay transparency reporting obligations, among other things, under the *Employment Equity Act*. The amendments came into effect on January 1, 2021 and created new pay gap reporting obligations for affected employers, which were required to be included in employer annual reports (which were due by June 1, 2022). The aggregate wage gap data for each employer was publicly posted in the winter of 2023 (and updated annually thereafter). The purpose of the *Employment Equity Act* is to achieve equality in the workplace so that no person shall be denied employment opportunities or benefits for reasons unrelated to ability and, in the fulfilment of that goal, to correct the conditions of disadvantage in employment experienced by women, Indigenous Peoples, persons with disabilities, and members of visible minorities by giving effect to the principle that employment equity means more than treating persons in the same way but also requires special measures and the accommodation of differences. The Act is currently the subject of consultations on its modernization.

Pay Equity Act
Under the federal *Pay Equity Act*, which came into effect on August 31, 2021, employers with more than ten employees are required to develop a pay equity plan that identifies and corrects gender-based wage gaps within three years (i.e., no later than September 3, 2024). The purpose of the Act is to achieve pay equity through proactive means by redressing the systemic gender-based discrimination in the compensation practices and systems of employers that is experienced by employees who occupy positions in predominantly female job classes. This Act seeks to ensure that employees receive equal compensation for work of equal value, while taking into account the diverse needs of employers and then to maintain pay equity through proactive means. Employers with over 100 employees must prepare (and maintain) their pay equity plan in a joint employer-employee pay equity committee.

Recovery and Resolution Planning

As part of the regulatory measures used to manage systemic risks, D-SIBs are required to prepare recovery and resolution plans. A recovery plan is essentially a roadmap that guides the recovery of a bank in the event of severe financial stress; conversely, a resolution plan guides its orderly wind-down in the event of failure when recovery is no longer an option. The Bank improves and periodically updates its recovery and resolution plans to prepare for these high-risk, but low-probability, events in accordance with the guidelines of the CDIC, which are frequently updated. In addition, the Bank and other D-SIBs continue to work with the CDIC to maintain a comprehensive resolution plan that would ensure an orderly winding down of the Bank's operations. These plans are approved by the Board and submitted to the national regulatory agencies.

Internal Revenue Code (Section 871(m) – Dividend Equity Payments)

Section 871(m) of the U.S. Internal Revenue Code (IRC) aims to ensure that non-U.S. persons pay tax on payments that can be considered dividends on U.S. shares when these payments are made on certain derivative instruments. The derivative instruments for which the underlyi ngs are U.S. shares (including U.S. exchange-traded funds) or "non-qualified indices" are therefore subject to the withholding and reporting requirements. Given that discussions are ongoing in the industry, the effective date of certain aspects of this regulation, as well as some of the obligations of Qualified Derivatives Dealers under section 871(m) of the IRC and the Qualified Intermediary Agreement, have been postponed until Janua ry 1, 2027.

U.S. Foreign Account Tax Compliance Act and Common Reporting Standard

The U.S. law addressing foreign account tax compliance (*Foreign Account Tax Compliance Act* or FATCA) and the Common Reporting Standard (CRS), both incorporated into the *Income Tax Act* (Canada), are intended to counter tax evasion internationally through the automatic exchange of tax information reported annually by Canadian financial institutions to the Canada Revenue Agency (CRA), which then relays the information to the relevant tax authorities. CRA also publishes guidance documents on the due diligence and reporting obligations imposed under FATCA and CRS. These documents are amended periodically to reflect any regulatory changes, such as the recent amendments to CRS made by OECD, the adoption o f which was proposed in the 2024 Federal Budget, for 2026 and subsequent years.

Proposed Rules on Sales and Exchanges of Digital Assets by Brokers

In June 2024, the U.S. Department of the Treasury published final regulations on broker sales and exchanges of digital assets. Brokers will be required to report the gross proceeds from sales of digital assets effected on or after January 1, 2025. Reporting the adjusted basis will be required for sales effected on or after January 1, 2026.

Reform of Interest Rate Benchmarks

As part of the transition related to the reform of interest rate benchmarks in Canada, the CDOR (Canadian Dollar Offered Rate) was discontinued on June 28, 2024 and replaced with the CORRA (Canadian Overnight Repo Rate Average). A forward-looking rate, the 1-month and 3-month Term CORRA has also been available for certain financial products since September 5, 2023. For additional information, see the Basis of Presentation section in Note 1 to the Consolidated Financial Statements.

One-Day Settlement Cycle

In May 2024, the normal settlement cycle for certain securities transactions in Canada and the U.S. was shortened from two business days after the trade date (T+2) to one business day after the trade date (T+1). The shorter settlement cycle is expected to reduce credit and counterparty risk, lower the cost of collateral, increase market liquidity and provide faster access to financing. Canada and the U.S. moved to T+1 over the weekend of May 25 and 26, 2024, with May 24 being the last date on which securities were traded under the T+2 cycle. However, the first trading day at T+1 was different in the United States due to Memorial Day. Canada and the U.S. had identical trade settlement cycles on May 30, 2024.

The CSA adopted amendments to *National Instrument 24-101 - Institutional Trade Matching and Settlement* and its companion policy (the "amendments") that came into force on May 27, 2024. These amendments were adopted to: (i) address the transition to T+1, and (ii) permanently repeal the exception reporting requirements in Part 4 of NI 24-101. The CSA also proposed amendments to *National Instrument 81-102 - Investment Funds* to facilitate a mutual fund's decision to voluntarily shorten its trade settlement cycle for purchases and redemptions to T+1. The Canadian Investment Regulatory Organization (CIRO) has published amendments to the *Universal Market Integrity Rules* and the *Investment Dealer and Partially Consolidated Rules* to support the securities industry's transition to the T+1 settlement cycle.

Consolidation of the Rules of the Canadian Investment Regulatory Organization (CIRO)
A consolidation of CIRO rules has been underway since October 2023 and is being carried out in five consultation phases. Phases 1 to 3 have been published. It is expected that Phase 4 will be published in the fall of 2024, with the fifth and final consultation phase published in early 2025. The entry into force of this new set of rules has yet to be confirmed by CIRO. These rules will apply to investment dealers and mutual fund dealers.

Accessible Canada Act
The Act was adopted in June 2019. The purpose of the Act is to make Canada a barrier-free country by January 1, 2040. The Bank published its accessibility plan on May 31, 2023 and its first progress report on May 30, 2024 on its website at nbc.ca.

Amendments to *National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations – Client Relationship Model (Phase 3)*
In April 2023, the CSA published the final version of changes designed to enhance disclosure requirements on the cost of investment funds and to impose new disclosure requirements on the cost and performance of individual variable insurance contracts (segregated fund contracts). All dealers, advisers, registered investment fund managers, and insurers offering segregated fund contracts are affected by these new requirements, which will come into effect on January 1, 2026.

National Instrument 91-507 – Trade Repositories and Derivatives Data Reporting
The CSA has published the final version of amendments intended to simplify the reporting of OTC derivatives data and harmonize it with global standards. The amendments will come into force on July 25, 2025.

National Instrument 93-101 – Derivatives: Business Conduct
This instrument, which came into force on September 28, 2024, sets out the fundamental obligations for OTC derivatives dealers and advisors. NI 93-101 meets international standards, including fair dealing, conflicts of interest, suitability, reporting non-compliance and recordkeeping. The business conduct rule is intended to help protect market participants by improving transparency, increasing accountability, and promoting responsible business conduct in OTC derivatives markets.

Regulation respecting complaint processing and dispute resolution in the financial sector
On February 15, 2024, the Autorité des marchés financiers (AMF) published the final version of the regulation. Investment dealers who are members of CIRO are exempt from application of the regulation for their activities in Quebec when they are subject to equivalent CIRO rules and these rules are approved by the AMF. The AMF must confirm that CIRO's rules are equivalent and that the exemption applies. The regulation will come into force on July 1, 2025.

Client and Order Identifiers
On December 7, 2023, the Montréal Exchange published the final version of changes to client and order identifiers. These rules introduce client identifiers and markers to identify orders when entered on the Electronic Trading System. The Exchange has extended the timeline for Participants to ensure compliance with the client and order identifiers requirements, and has established a compliance deadline of March 31, 2025.

Reputation Risk

Reputation risk is the risk that the Bank's operations or practices will be judged negatively by the public, whether that judgment is with or without basis, thereby adversely affecting the perception, image, or trademarks of the Bank and potentially resulting in costly litigation or loss of income. Reputation risk generally arises from a deficiency in managing another risk. The Bank's reputation may, for example, be adversely affected by non-compliance with laws and regulations or by process failures. All risks must therefore be managed effectively in order to protect the Bank's reputation.

The Bank's corporate culture continually promotes the behaviours and values to be adopted by employees. Ethics are at the heart of everything we do. To fulfill our mission, put people first, and continue to build a strong bank, we must maintain the highest degree of work ethic. Our Code of Conduct outlines what is expected from each employee in terms of ethical behaviour and rules to be followed as they carry out their duties.

Reputation Risk Management Policy
Approved by the GRC, the reputation risk policy covers all of the Bank's practices and activities. It sets out the principles and rules for managing reputation risk within our risk appetite limits along the following five focal points: clients, employees, community, shareholders and governance, all of which represent Bank stakeholders. The policy is supplemented by specific provisions of several policies and standards, such as the policy on managing risks related to major changes, the business continuity and crisis management policy, and the investment governance policy.

Strategic Risk

Strategic risk is the risk of a financial loss or of reputational harm arising from inappropriate strategic orientations, improper execution, or ineffective response to economic, financial, or regulatory changes. The corporate strategic plan is developed by the Senior Leadership Team, in alignment with the Bank's overall risk appetite, and approved by the Board. Once approved, the initiatives of the strategic plan are monitored regularly to ensure that they are progressing. If not, strategies could be reviewed or adjusted if deemed appropriate.

In addition, the Bank has a specific Board-approved policy for strategic investments, which are defined as purchases of business assets or acquisitions of significant interests in an entity for the purposes of acquiring control or creating a long-term relationship. As such, acquisition projects and other strategic investments are analyzed through a due diligence process to ensure that these investments are aligned with the corporate strategic plan and the Bank's risk appetite.

Environmental and Social Risk

Environmental and social risk is the possibility that environmental and social matters would result in a financial loss for the Bank or affect its business activities. Environmental risk consists of many aspects, including the use of energy, water, and other resources; climate change; and biodiversity. Social risk includes, for example, considerations relating to human rights, accessibility, diversity, equity and inclusion, our human capital management practices, including work conditions and the health, safety and well-being of our employees.

A rapidly changing global regulatory environment, increased expectations and scrutiny from regulatory agencies and other associations, and potential imbalances among their requirements represent challenges, as do stakeholders' expectations and their differing views about the Bank's environmental and social priorities and actions. The Bank's reputation could also be affected by its action or inaction or by a perception of inaction or inadequate action on environmental and social matters, particularly regarding the progress made. All these factors can lead to greater exposure to reputation risk, regulatory compliance risk, and strategic risk. We monitor the evolution of these factors, analyze them, and update our procedures on an ongoing basis.

Governance

Our ESG governance structure is based on all levels of the organization being involved in achieving our objectives and meeting our commitments, including the Board, which exercises an ESG oversight role. Together with management, the Board, through its committees, oversees the execution of the Bank's ESG strategy, which is structured around nine ESG principles that are approved by the Board. These ESG principles have been incorporated into the Bank's strategic priorities. The Board ensures that ESG criteria are incorporated into the Bank's long-term strategic objectives, and it monitors the development and integration of ESG initiatives and principles into our day-to-day activities. Furthermore, the Board's various committees monitor environmental and social risks in accordance with their respective mandates. They are supported by management in the performance of their duties. Environmental and social issues are now central to the Bank's decision-making process. ESG factors continue to be incorporated into the Bank's processes, in line with its strategy and the principles approved by the Board. ESG indicators have been added to the various monitoring dashboards and are gradually being integrated into the Bank's risk appetite framework. Reports on the ESG indicators and on the Bank's ESG commitments are being periodically presented to the internal committees and to the Board committees tasked with overseeing them. The Bank has an environmental policy that expresses its determination to preserve the environment in the face of human activity, both in terms of our own activities and the benefits to the community. It has also adopted an internal ESG policy to better reflect ESG issues in its corporate strategy and to define the key guidelines and responsibilities for ESG management and governance at the Bank.

The Bank's Code of Conduct outlines what is expected from each employee in their professional, business, and community interactions. It also provides guidance on adhering to the Bank's values, on the day-to-day conduct of the Bank's affairs, and on relationships with third parties, employees, and clients to create an environment conducive to achieving the Bank's One Mission, namely, to have a positive impact on people's lives. In addition, our Human Rights Statement outlines how the Bank applies its principles in its activities and relationships with its stakeholders, in every role it plays in society. The Bank's commitment on modern slavery outlines the governance structure, risk management and control measures deployed by the Bank in this regard.

Risk Management

Identifying, assessing, mitigating and monitoring environmental and social risks are part of the Bank's risk management framework and risk appetite framework. For some years now, the Bank has been integrating ESG risk into its risk management policy framework. The Bank has also added a statement to its risk appetite about its commitment to achieving its ESG objectives through target indicators. Other risk management policies and standards also support more comprehensive environmental and social risk management. Given its importance, climate risk has been more fully integrated, and a climate risk management standard has been developed. In addition, the concept of climate risk has been incorporated into the Internal Capital Adequacy Assessment Process risk inventory register.

As a key player in the financial industry, the Bank has demonstrated its commitment to environmental and social groups and associations such as the United Nations Principles for Responsible Banking, PCAF, and NZBA. The frameworks and methodologies developed by these groups may evolve, which could lead the Bank to reconsider its membership therein. In addition, their efforts to develop such frameworks and objectives could raise competition-related concerns.

As part of its PCAF and NZBA commitments, the Bank has continued to quantify its financed GHG emissions in addition to working on defining interim reduction targets for carbon-intensive sectors. However, it should be remembered that the need to make an orderly and fair transition to a low-carbon economy means that the Bank's decarbonization efforts must be gradual. The Bank takes concrete steps to meet its commitments and to move its plan forward, notably by quantifying the financial impacts of environmental and social risk. Furthermore, the Bank is committed to transparently communicating information about its progress and its signatory commitments by periodically publishing performance reports.

With respect to its own activities, the Bank is pursuing its commitment to reduce its carbon footprint and offsets a portion of its GHG emissions (including for business travel by employees). The Bank has implemented a global responsible procurement strategy and has adopted a Supplier Code of Conduct that describes its expectations of suppliers to uphold responsible business practices. By adopting this code, the Bank is manifesting its intention to do business with suppliers that incorporate environmental, social and governance issues into their operations and throughout their supply chains. Before entering into a relationship with a third party, the business segment conducts due diligence to assess the risk. Responsible sourcing criteria have also been integrated into the purchasing and supplier selection practices for the new head office construction project. The Bank is aiming for LEED v4[1] Gold and WELL[2] Wellness certifications.

The Bank is mindful about the accuracy of the information it provides in the context of increased disclosure and the risks associated with greenwashing and socialwashing. However, our ability to set and achieve our environmental and social objectives, priorities, and targets depends on several assumptions and factors, many of which are beyond the Bank's control and whose effects are difficult to predict. Many of these assumptions, data, indicators, measures, methodologies, scenarios and other standards continue to evolve, and may differ significantly from those used by others, from those we may use in the future, or from those that may be imposed in the future by governmental or other authorities in this area. We may therefore be obliged to redefine certain objectives, priorities, or targets or revise data to reflect changes in methodologies or the quality of the available data. It is also possible that the Bank's predictions, targets, or projections prove to be inaccurate, that its assumptions may not be confirmed, and that its strategic objectives and performance targets will not be achieved within the deadlines.

These past few years also saw the emergence of a new environmental risk issue, i.e., the potential financial repercussions of climate change on biodiversity, ecosystems, and ecosystemic services. Financial system participants were called upon by the PRB Biodiversity Community initiative of the United Nations Environment Programme Finance Initiative (UNEP-FI), of which the Bank is a member. As this environmental risk issue begins to emerge, the Bank will continue to closely monitor the various initiatives and contribute to deliberations about potentially incorporating this issue into both investment and credit-granting decisions. The Risk Management Group closely monitors changes in trends and calculation methods and actively participates in various industry discussion groups. In addition, an internal “Nature” working group has been set up. This group is responsible for developing expertise and sharing best practices.

To proactively ensure the strategic positioning of its entire portfolio, the Bank continues to support the transition to a low-carbon economy while closely monitoring the related developments and implications. Doing so involves ongoing and stronger adaptation efforts as well as additional mitigation measures for instances of business interruptions or disruptions caused by major incidents such as natural disasters or health crises. Such measures include the business continuity plan, the operational risk management program, and the disaster risk management program. To ensure regulatory compliance and sound risk management, the Bank has introduced new processes and continues to improve existing ones, in addition to working on optimizing its data and control architecture to include ESG data.

[1] Criteria of the LEED (Leadership in Energy and Environmental Design) certification system. LEED certification involves satisfying climate criteria and adaptation characteristics that will help limit potential physical climate risks.

[2] The WELL Standard, administered by the International WELL Building Institute, recognizes environments that support the health and well-being of the occupants.

New Regulatory Developments

On March 13, 2024, the Canadian Sustainability Standards Board (CSSB) published its first set of proposed Canadian Sustainability Disclosure Standards (CSDS) in the form of exposure drafts. CSDS 1 – *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2 – *Climate-related Disclosures*, are aligned with IFRS S1 – *General Requirements for Disclosure of Sustainability related financial Information* and IFRS S2 – *Climate Related Disclosures* (IFRS S2), but propose a later effective date and extend transition relief for certain disclosure requirements. CSDS will be applicable to D-SIBs at the end of fiscal 2026, and transitional relief measures will postpone certain disclosure requirements to the end of fiscal 2028. Disclosure under CSDS will be on a voluntary basis until mandated by the CSA.

On March 20, 2024, OSFI published a new version of guideline B-15 entitled *Climate Risk Management*, the required disclosures of which more closely align with those of the International Sustainability Standards Board's final version of IFRS S2. Most of the B-15 disclosure requirements will take effect for D-SIBs at the end of fiscal 2024, while other disclosure requirements will take effect in fiscal 2025 or later. At the same time, OSFI also released new Climate Risk Returns that will collect standardized data on emissions and exposures. The data collected by OSFI will support its climate risk supervisory activities. It also continues to monitor updates and future developments.

On December 16, 2022, the European Union published the Corporate Sustainability Reporting Directive (CSRD), which has come into force gradually since January 1, 2024. The CSRD requires companies falling within its scope to use the European Sustainability Reporting Standards (ESRS), which specify the information to be reported and, when relevant, the structure in which that information should be reported. It sets specific deadlines for companies to comply with disclosure requirements, depending on their size and classification. During 2024, the Bank carried out work to assess its disclosure obligations under these new regulations. In order not only to comply with the new requirements, but also to reap the benefits in terms of strategic development and performance, the Bank has begun to reflect on the appropriate governance and structure required to carry out this project.

Tightening the Rules on Greenwashing (C-59)

Bill C-59 amended the *Competition Act* to include provisions prohibiting misleading environmental benefit claims. These provisions are designed to prohibit claims about the environmental benefits of a product or company that are not based on adequate and proper testing. These changes also provide for private rights of action from mid-2025. The Competition Bureau has launched a public consultation to develop guidance on the application of the new provisions of the Act, and the Bank is following these developments closely.

Material Accounting Policies and Accounting Estimates

A summary of the material accounting policies used by the Bank is presented in Note 1 to the Consolidated Financial Statements of this *Annual Report*. The accounting policies discussed below are considered critical given their importance to the presentation of the Bank's financial position and operating results and require subjective and complex judgments and estimates on matters that are inherently uncertain. Any change in these judgments and estimates could have a significant impact on the Bank's Consolidated Financial Statements.

The geopolitical landscape (notably the Russia-Ukraine war and the clashes between Israel and Hamas), inflation, climate change, and high interest rates continue to create uncertainty. As a result, establishing reliable estimates and applying judgment continue to be substantially complex. Some of the Bank's accounting policies, such as measurement of expected credit losses (ECLs), require particularly complex judgments and estimates. See Note 1 to the Consolidated Financial Statements for a summary of the most significant estimation processes used to prepare the Consolidated Financial Statements in accordance with IFRS Accounting Standards and the valuation techniques used to determine carrying values and fair values of assets and liabilities. The uncertainty regarding certain key inputs used in measuring ECLs is described in Note 8 to the Consolidated Financial Statements.

Classification of Financial Instruments

At initial recognition, all financial instruments are recorded at fair value in the Consolidated Balance Sheet. At initial recognition, financial assets must be classified as subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Bank determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. At initial recognition, financial liabilities are classified as subsequently measured at amortized cost or as at fair value through profit or loss.

For the purpose of classifying a financial asset, the Bank must determine whether the contractual cash flows associated with the financial asset are solely payments of principal and interest on the principal amount outstanding. The principal is generally the fair value of the financial asset at initial recognition. The interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs as well as of a profit margin. If the Bank determines that the contractual cash flows associated with a financial asset are not solely payments of principal and interest, the financial assets must be classified as measured at fair value through profit or loss.

When classifying financial assets, the Bank determines the business model used for each portfolio of financial assets that are managed together to achieve a same business objective. The business model reflects how the Bank manages its financial assets and the extent to which the financial asset cash flows are generated by the collection of the contractual cash flows, the sale of the financial assets, or both. The Bank determines the business model using scenarios that it reasonably expects to occur. Consequently, the business model determination is a matter of fact and requires the use of judgment and consideration of all the relevant evidence available to the Bank at the date of determination.

A financial asset portfolio falls within a "hold to collect" business model when the Bank's primary objective is to hold these financial assets in order to collect contractual cash flows from them and not to sell them. When the Bank's objective is achieved both by collecting contractual cash flows and by selling the financial assets, the financial asset portfolio falls within a "hold to collect and sell" business model. In this type of business model, collecting contractual cash flows and selling financial assets are both integral components to achieving the Bank's objective for this financial asset portfolio. Financial assets are mandatorily measured at fair value through profit or loss if they do not fall within either a "hold to collect" business model or a "hold to collect and sell" business model.

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price).

Unadjusted quoted prices in active markets, based on bid prices for financial assets and offered prices for financial liabilities, provide the best evidence of fair value. A financial instrument is considered quoted in an active market when prices in exchange, dealer, broker or principal-to-principal markets are accessible at the measurement date. An active market is one where transactions occur with sufficient frequency and volume to provide quoted prices on an ongoing basis.

When there is no quoted price in an active market, the Bank uses another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider when pricing a transaction. Judgment is required when applying a large number of acceptable valuation techniques and estimates to determine fair value. The estimated fair value reflects market conditions on the measurement date and, consequently, may not be indicative of future fair value.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration received or paid. If there is a difference between the fair value at initial recognition and the transaction price, and the fair value is determined using a valuation technique based on observable market inputs or, in the case of a derivative, if the risks are fully offset by other contracts entered into with third parties, this difference is recognized in the Consolidated Statement of Income. In other cases, the difference between the fair value at initial recognition and the transaction price is deferred in the Consolidated Balance Sheet. The amount of the deferred gain or loss is recognized over the term of the financial instrument. The unamortized balance is immediately recognized in net income when (i) observable market inputs can be obtained and support the fair value of the transaction, (ii) the risks associated with the initial contract are substantially offset by other contracts entered into with third parties, (iii) the gain or loss is realized through a cash receipt or payment, or (iv) the transaction matures or is terminated before maturity.

In certain cases, measurement adjustments are recognized to address factors that market participants would use at the measurement date to determine fair value but that are not included in the measurement technique due to system limitations or uncertainty surrounding the measure. These factors include, but are not limited to, the unobservable nature of inputs used in the valuation model, assumptions about risk such as market risk, credit risk, or valuation model risk and future administration costs. The Bank may also consider market liquidity risk when determining the fair value of financial instruments when it believes these instruments could be disposed of for a consideration below the fair value otherwise determined due to a lack of market liquidity or an insufficient volume of transactions in a given market. The measurement adjustments also include the funding valuation adjustment applied to derivative financial instruments to reflect the market implied cost or benefits of funding collateral for uncollateralized or partly collateralized transactions.

IFRS Accounting Standards establish a fair value measurement hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. The fair value measurement hierarchy has the following levels:

Level 1
Inputs corresponding to unadjusted quoted prices in active markets for identical assets and liabilities and accessible to the Bank at the measurement date. These instruments consist primarily of equity securities, derivative financial instruments traded in active markets, and certain highly liquid debt securities actively traded in over-the-counter markets.

Level 2
Valuation techniques based on inputs, other than the quoted prices included in Level 1 inputs, that are directly or indirectly observable in the market for the asset or liability. These inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market inputs by correlation or other means. These instruments consist primarily of certain loans, certain deposits, derivative financial instruments traded in over-the-counter markets, certain debt securities, certain equity securities whose value is not directly observable in an active market, liabilities related to transferred receivables, and certain other liabilities.

Level 3
Valuation techniques based on one or more significant inputs that are not observable in the market for the asset or liability. The Bank classifies financial instruments in Level 3 when the valuation technique is based on at least one significant input that is not observable in the markets. The valuation technique may also be partly based on observable market inputs. Financial instruments whose fair values are classified in Level 3 consist of investments in hedge funds, certain derivative financial instruments, equity and debt securities of private companies, certain loans, certain deposits (structured deposit notes), and certain other assets (receivables).

Establishing fair value is an accounting estimate and has an impact on the following items: *Securities at fair value through profit or loss*, certain *Loans*, *Securities at fair value through other comprehensive income*, *Obligations related to securities sold short*, *Derivative financial instruments*, financial instruments designated at fair value through profit or loss, and financial instruments designated at fair value through other comprehensive income in the Consolidated Balance Sheet. This estimate also has an impact on *Non-interest income* in the Consolidated Statement of Income of the Financial Markets segment and of the *Other* heading. Lastly, this estimate has an impact on *Other comprehensive income* in the Consolidated Statement of Comprehensive Income. For additional information on the determination of the fair value of financial instruments, see Notes 4 and 7 to the Consolidated Financial Statements.

Impairment of Financial Assets

At the end of each reporting period, the Bank applies a three-stage impairment approach to measure the expected credit losses (ECL) on all debt instruments measured at amortized cost or at fair value through other comprehensive income and on loan commitments and financial guarantees that are not measured at fair value. ECLs are a probability-weighted estimate of credit losses over the remaining expected life of the financial instrument. The ECL model is forward looking. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. Judgment is required in making assumptions and estimates, determining movements between the three stages, and applying forward-looking information. Any changes in these assumptions and estimates, as well as the use of different, but equally reasonable, estimates and assumptions, could have an impact on the allowances for credit losses and the provisions for credit losses for the year. All business segments are affected by this accounting estimate. For additional information, see Note 8 to the Consolidated Financial Statements.

Determining the Stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, in an amount equal to 12-month expected credit losses, is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, in an amount equal to lifetime expected credit losses, is recorded. In subsequent reporting periods, if the credit risk of a financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e., recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset occurs, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected credit losses continues to be recorded or the financial asset is written off. Interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Assessment of Significant Increase in Credit Risk

In determining whether credit risk has increased significantly, the Bank uses an internal credit risk grading system, external risk ratings, and forward-looking information to assess deterioration in the credit quality of a financial instrument. To assess whether or not the credit risk of a financial instrument has increased significantly, the Bank compares the probability of default (PD) occurring over its expected life as at the reporting date with the PD occurring over its expected life on the date of initial recognition and considers reasonable and supportable information indicative of a significant increase in credit risk since initial recognition. The Bank includes relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are more than 30 days past due since initial recognition are migrated to Stage 2 even if other metrics do not indicate that a significant increase in credit risk has occurred. The assessment of a significant increase in credit risk requires significant judgment.

Measurement of Expected Credit Losses

ECLs are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, and reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. Cash shortfalls represent the difference between all contractual cash flows owed to the Bank and all cash flows that the Bank expects to receive.

The measurement of ECLs is primarily based on the product of the financial instrument's PD, loss given default (LGD) and exposure at default (EAD). Forward-looking macroeconomic factors such as unemployment rates, housing price indices, interest rates, and gross domestic product (GDP) are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The Bank incorporates three forward-looking macroeconomic scenarios in its ECL calculation process: a base scenario, an upside scenario, and a downside scenario. Probability weights are assigned to each scenario. The scenarios and probability weights are reassessed quarterly and are subject to management review. The Bank applies experienced credit judgment to adjust the modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modelling process.

ECLs for all financial instruments are recognized under *Provisions for credit losses* in the Consolidated Statement of Income. In the case of debt instruments measured at fair value through other comprehensive income, ECLs are recognized under *Provisions for credit losses* in the Consolidated Statement of Income, and a corresponding amount is recognized in *Other comprehensive income* with no reduction in the carrying amount of the asset in the Consolidated Balance Sheet. As for debt instruments measured at amortized cost, they are presented net of the related allowances for credit losses in the Consolidated Balance Sheet. Allowances for credit losses for off-balance-sheet credit exposures that are not measured at fair value are included in *Other liabilities* in the Consolidated Balance Sheet.

Purchased or Originated Credit-Impaired Financial Assets

On initial recognition of a financial asset, the Bank determines whether the asset is credit-impaired. For financial assets that are credit-impaired upon purchase or origination, the lifetime expected credit losses are reflected in the initial fair value. In subsequent reporting periods, the Bank recognizes only the cumulative changes in these lifetime ECLs since initial recognition as an allowance for credit losses. The Bank recognizes changes in ECLs under *Provisions for credit losses* in the Consolidated Statement of Income, even if the lifetime ECLs are less than the ECLs that were included in the estimated cash flows on initial recognition.

Definition of Default

The definition of default used by the Bank to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Bank considers a financial asset, other than a credit card receivable, to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. Credit card receivables are considered credit-impaired and are fully written off at the earlier of the following dates: when a notice of bankruptcy is received, a settlement proposal is made, or contractual payments are 180 days past due.

Write-Offs

A financial asset and its related allowance for credit losses are normally written off in whole or in part when the Bank considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Bank have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered.

Impairment of Non-Financial Assets

Premises and equipment and intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. At the end of each reporting period, the Bank determines whether there is an indication that premises and equipment or intangible assets with finite useful lives may be impaired. Goodwill and intangible assets that are not available for use or that have indefinite useful lives are tested for impairment annually or more frequently if there is an indication that the asset might be impaired.

An asset is tested for impairment by comparing its carrying amount with its recoverable amount. The recoverable amount must be estimated for the individual asset. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs will be determined. Goodwill is always tested for impairment at the level of a CGU or a group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Bank uses judgment to identify CGUs.

An asset's recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or CGU. Value in use is the present value of expected future cash flows from the asset or CGU. The recoverable amount of the asset or CGU is determined using valuation models that consider various factors such as projected future cash flows, discount rates, and growth rates. The use of different estimates and assumptions in applying the impairment tests could have a significant impact on income. If the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognized under *Non-interest expenses* in the Consolidated Statement of Income.

Management exercises judgment when determining whether there is objective evidence that premises and equipment or intangible assets with finite useful lives may be impaired. It also uses judgment in determining to which CGU or group of CGUs an asset or goodwill is to be allocated. Moreover, for impairment assessment purposes, management must make estimates and assumptions to determine the recoverable amount of non-financial assets, CGUs, or a group of CGUs. For additional information on the estimates and assumptions used to calculate the recoverable amount of an asset or CGU, see Note 12 to the Consolidated Financial Statements.

Any changes to these estimates and assumptions may have an impact on the recoverable amount of a non-financial asset and, consequently, on impairment testing results. These accounting estimates have an impact on *Premises and equipment*, *Intangible assets* and *Goodwill* reported in the Consolidated Balance Sheet. The aggregate impairment losses, if any, are recognized under *Non-interest expenses – Other* in the given business segment.

Employee Benefits – Pension Plans and Other Post-Employment Benefit Plans

The expense and obligation of the defined benefit component of the pension plans and other post-employment benefit plans are actuarially determined using the projected benefit method prorated on service. The calculations incorporate management's best estimates of various actuarial assumptions such as discount rates, rates of compensation increase, health care cost trend rates, mortality rates, and retirement age.

Remeasurements of these plans represent the actuarial gains and losses related to the defined benefit obligation and the actual return on plan assets, excluding the net interest determined by applying a discount rate to the net asset or net liability of the plans. Remeasurements are immediately recognized in *Other comprehensive income* and are not subsequently reclassified to net income; these cumulative gains and losses are reclassified to *Retained earnings*.

The use of different assumptions could have a significant impact on the defined benefit asset (liability) presented under *Other assets (Other liabilities)* in the Consolidated Balance Sheet, on the pension plan and other post-employment benefit plan expenses presented under *Compensation and employee benefits* in the Consolidated Statement of Income, as well as on *Remeasurements of pension plans and other post-employment benefit plans* presented in *Other comprehensive income*. All business segments are affected by this accounting estimate. For additional information, including the significant assumptions used to determine the Bank's pension plan and other post-employment benefit plan expenses and the sensitivity analysis for significant plan assumptions, see Note 25 to the Consolidated Financial Statements.

Income Taxes

The Bank makes assumptions to estimate income taxes as well as deferred tax assets and liabilities. This process involves estimating the actual amount of current taxes and evaluating tax loss carryforwards and temporary differences arising from differences between the values of items reported for accounting and for income tax purposes. Deferred tax assets and liabilities, presented under *Other assets* and *Other liabilities* in the Consolidated Balance Sheet, are calculated according to the tax rates to be applied in future periods. Previously recorded deferred tax assets and liabilities must be adjusted when the date of the future event is revised based on current information. The Bank periodically evaluates deferred tax assets to assess recoverability. In the Bank's opinion, based on the information at its disposal, it is probable that all deferred tax assets will be realized before they expire.

This accounting estimate affects *Income taxes* in the Consolidated Statement of Income for all business segments. For additional information on income taxes, see Notes 1 and 26 to the Consolidated Financial Statements.

Litigation

In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios, and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions, or other legal remedies of varied natures.

More specifically, the Bank is involved as a defendant in class actions instituted by consumers contesting, *inter alia*, certain transaction fees or who wish to avail themselves of certain legislative provisions relating to consumer protection. The recent developments in the main legal proceeding involving the Bank are as follows:

Defrance
On January 21, 2019, the Quebec Superior Court authorized a class action against the National Bank and several other Canadian financial institutions. The originating application was served to the Bank on April 23, 2019. The class action was initiated on behalf of consumers residing in Quebec. The plaintiffs allege that non-sufficient funds charges, billed by all of the defendants when a payment order is refused due to non-sufficient funds, are illegal and prohibited by the *Consumer Protection Act*. The plaintiffs are claiming, in the form of damages, the repayment of these charges as well as punitive damages.

It is impossible to determine the outcome of the claims instituted or which may be instituted against the Bank and its subsidiaries. The Bank estimates, based on the information at its disposal, that while the amount of contingent liabilities pertaining to these claims, taken individually or in the aggregate, could have a material impact on the Bank's consolidated results of operations for a particular period, it would not have a material adverse impact on the Bank's consolidated financial position.

Provisions are liabilities of uncertain timing and amount. A provision is recognized when the Bank has a present obligation (legal or constructive) arising from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. The recognition of a litigation provision requires the judgment of the Bank's management in assessing the existence of an obligation, the timing and probability of loss, and estimates of potential monetary impact. Provisions are based on the Bank's best estimates of the economic resources required to settle the present obligation, given all available information and relevant risks and uncertainties, and, when it is significant, the effect of the time value of money. However, the actual amount required to settle litigation could be significantly higher or lower than the amounts recognized, as the actual amounts depend on a variety of factors and risks, notably the degree to which proceedings have advanced when the amount is determined, the presence of multiple defendants whose share of responsibility is undetermined, including that of the Bank, the types of matters or allegations in question, including some that may involve new legal frameworks or regulations or that set forth new legal interpretations and theories.

The Bank regularly assesses all litigation provisions by considering the development of each case, the Bank's past experience in similar transactions, and the opinion of its legal counsel. Each new piece of information can alter the Bank's assessment as to the probability and estimated amount of loss and therefore the extent to which it adjusts the recorded provision.

Structured Entities

In the normal course of business, the Bank enters into arrangements and transactions with structured entities. Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements. A structured entity is consolidated when the Bank concludes, after evaluating the substance of the relationship and its right or exposure to variable returns, that it controls that entity. Management must exercise judgment in determining whether the Bank controls an entity. Additional information is provided in the Securitization and Off-Balance-Sheet Arrangements section of this MD&A and in Note 29 to the Consolidated Financial Statements.

Accounting Policy Changes

IFRS 17 – *Insurance Contracts*

On November 1, 2023, the Bank adopted the accounting standard IFRS 17 – *Insurance Contracts* (IFRS 17). IFRS 17 affects how an entity accounts for its insurance contracts and how it reports financial performance in the Consolidated Income Statement, in particular the timing of revenue recognition for insurance contracts. The current Consolidated Balance Sheet presentation, under which items are included and reported in *Other assets* and *Other liabilities*, respectively, was changed.

IFRS 17 introduces three approaches to measure insurance contracts: the general model approach, the premium allocation approach, and the variable fee approach. The general model approach, which is primarily used by the Bank, measures insurance contracts based on the present value of estimates of the expected future cash flows necessary to fulfill the contracts, including a risk adjustment for non-financial risk as well as the contractual service margin (CSM), which represents the unearned profits that are recognized as services are provided in the future. The premium allocation approach is applied to short-term contracts, and insurance revenues are recognized systematically over the coverage period. For all measurement approaches, if contracts are expected to be onerous, losses are recognized immediately.

At the transition date, November 1, 2022, the Bank applied two of the three transition approaches available under IFRS 17: the full retrospective approach and the fair value approach. For most groups of contracts, the fair value approach was applied considering that the full retrospective approach was impracticable, since reasonable and supportable information for applying this approach was not available without undue cost or effort.

Impacts of IFRS 17 Adoption

The IFRS 17 requirements have been applied retrospectively by adjusting the Consolidated Balance Sheet balances on the date of initial application, i.e., November 1, 2022. The impacts of IFRS 17 adoption have been recognized through an adjustment to *Retained earnings* as at November 1, 2022. The following information presents the impacts on the Consolidated Balance Sheets as at November 1, 2022 and as at October 31, 2023:

Consolidated Balance Sheets

	As at October 31, 2023		As at October 31, 2023	As at October 31, 2022		As at November 1, 2022
	As reported	IFRS 17 adjustments	Adjusted	As reported	IFRS 17 adjustments	Adjusted
Assets						
Other assets	7,889	(101)	7,788	5,958	(50)	5,908
Liabilities						
Other liabilities	7,423	(7)	7,416	6,361	(2)	6,359
Equity						
Retained earnings	16,744	(94)	16,650	15,140	(48)	15,092

As at October 31, 2023, the net CSM amount related to the new recognition and measurement principles for insurance and reinsurance contract assets and liabilities stood at $109 million ($89 million as at November 1, 2022).

The following information presents the impacts on the Consolidated Statement of Income for the comparative fiscal year:

Consolidated Statement of Income – Increase (Decrease)

	Year ended October 31, 2023
Non-interest income – Insurance revenues, net	(112)
Total revenues	(112)
Compensation and employee benefits	(27)
Occupancy	(3)
Technology	(7)
Professional fees	(1)
Other	(10)
Non-interest expenses	(48)
Income before provisions for credit losses and income taxes	(64)
Income before income taxes	(64)
Income taxes	(18)
Net income	(46)

Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The following standards have been issued but are not yet effective. The Bank is currently assessing the impact of applying these standards on the Consolidated Financial Statements.

Effective Date – November 1, 2026

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 affects certain provisions of IFRS 9 – *Financial Instruments* and IFRS 7 – *Financial Instruments: Disclosures*. Specifically, the amendments apply to the derecognition of financial liabilities settled through electronic transfer, to the classification of certain financial assets, to disclosures regarding equity instruments designated at fair value through other comprehensive income, and to contractual terms that could change the timing or amount of contractual cash flows. These amendments must be applied retrospectively for annual periods beginning on or after January 1, 2026. Earlier application is permitted.

Effective Date – November 1, 2027

IFRS 18 – *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued a new accounting standard, IFRS 18 – *Presentation and Disclosure in Financial Statements* (IFRS 18). This new standard replaces the current IAS 1 accounting standard on presentation of financial statements. IFRS 18 presents a new accounting framework that will improve how information is communicated in financial statements, in particular performance-related information in the Consolidated Statement of Income, and that will introduce limited changes to the Consolidated Statement of Cash Flows and the Consolidated Balance Sheet. IFRS 18 must be applied retrospectively for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

Additional Financial Information

Table 1 – Quarterly Results

(millions of Canadian dollars, except per share amounts)	2024				
	Total	Q4	Q3	Q2	Q1
Statement of income data					
Net interest income[1]	2,939	784	769	635	751
Non-interest income[2]	8,461	2,160	2,227	2,115	1,959
Total revenues	11,400	2,944	2,996	2,750	2,710
Non-interest expenses[3]	6,054	1,592	1,541	1,472	1,449
Income before provisions for credit losses and income taxes	5,346	1,352	1,455	1,278	1,261
Provisions for credit losses	569	162	149	138	120
Income taxes[4]	961	235	273	234	219
Net income	3,816	955	1,033	906	922
Non-controlling interests	(1)	–	–	(1)	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	3,817	955	1,033	907	922
Earnings per common share					
Basic	$ 10.78	$ 2.69	$ 2.92	$ 2.56	$ 2.61
Diluted	10.68	2.66	2.89	2.54	2.59
Dividends (per share)					
Common	$ 4.32	$ 1.10	$ 1.10	$ 1.06	$ 1.06
Preferred					
Series 30	1.2770	0.3869	0.3870	0.2515	0.2516
Series 32	0.9598	0.2400	0.2399	0.2400	0.2399
Series 38	1.7568	0.4392	0.4392	0.4392	0.4392
Series 40	1.4545	0.3636	0.3636	0.3637	0.3636
Series 42	1.7640	0.4410	0.4410	0.4410	0.4410
Return on common shareholders' equity[5]	17.2 %	16.4 %	18.4 %	16.9 %	17.1 %
Total assets		462,226	453,933	441,690	433,927
Subordinated debt[6]		1,258	1,254	1,237	749
Net impaired loans excluding POCI loans[5]		1,144	959	864	677
Number of common shares outstanding *(thousands)*					
Average – Basic	339,733	340,479	340,215	339,558	338,675
Average – Diluted	342,839	344,453	343,531	342,781	341,339
End of period		340,744	340,523	340,056	339,166
Per common share					
Book value[5]		$ 65.74	$ 64.64	$ 62.28	$ 61.18
Share price					
High	$ 134.23	134.23	118.17	114.68	103.38
Low	86.50	111.98	106.21	101.24	86.50
Number of employees – Worldwide (full-time equivalent)		29,196	29,250	28,665	28,730
Number of branches in Canada		368	369	369	368

[1] For fiscal 2024, *Net interest income* included an amount of $14 million to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB.

[2] For fiscal 2024, *Non-interest income* included a gain of $174 million upon the remeasurement at fair value of the interest already held in CWB as well as a $3 million loss to reflect the management of the fair value changes related to the CWB acquisition (2023: $91 million gain upon the fair value remeasurement of the interest in TMX).

[3] For fiscal 2024, *Non-interest expenses* included $18 million in CWB acquisition and integration charges (2023: $86 million in premises and equipment and intangible asset impairment losses, $35 million in litigation expenses, a $25 million expense related to changes to the *Excise Tax Act*, and $15 million in provisions for contracts).

[4] *Income taxes* expense for fiscal 2023 had included $24 million related to the Canadian Government's 2022 tax measures.

[5] See the "Glossary" on pages 130 to 133 for details on the composition of these measures.

[6] Represents long-term financial liability.

[7] Certain comparative figures for 2023, have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

				2023[7]					2022
Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
3,586	735	870	882	1,099	5,271	1,207	1,419	1,313	1,332
6,472	1,825	1,620	1,564	1,463	4,381	1,127	994	1,126	1,134
10,058	2,560	2,490	2,446	2,562	9,652	2,334	2,413	2,439	2,466
5,753	1,597	1,404	1,362	1,390	5,230	1,346	1,305	1,299	1,280
4,305	963	1,086	1,084	1,172	4,422	988	1,108	1,140	1,186
397	115	111	85	86	145	87	57	3	(2)
619	97	145	167	210	894	163	225	248	258
3,289	751	830	832	876	3,383	738	826	889	930
(2)	–	(1)	(1)	–	(1)	–	–	(1)	–
3,291	751	831	833	876	3,384	738	826	890	930
$ 9.33	$ 2.11	$ 2.35	$ 2.37	$ 2.49	$ 9.72	$ 2.10	$ 2.38	$ 2.56	$ 2.67
9.24	2.09	2.33	2.34	2.47	9.61	2.08	2.35	2.53	2.64
$ 3.98	$ 1.02	$ 1.02	$ 0.97	$ 0.97	$ 3.58	$ 0.92	$ 0.92	$ 0.87	$ 0.87
1.0063	0.2516	0.2516	0.2515	0.2516	1.0063	0.2516	0.2516	0.2515	0.2516
0.9598	0.2400	0.2399	0.2400	0.2399	0.9598	0.2400	0.2399	0.2400	0.2399
1.7568	0.4392	0.4392	0.4392	0.4392	1.1125	0.2781	0.2781	0.2782	0.2781
1.3023	0.3637	0.3636	0.2875	0.2875	1.1500	0.2875	0.2875	0.2875	0.2875
1.2375	0.3094	0.3093	0.3094	0.3094	1.2375	0.3094	0.3093	0.3094	0.3094
16.3 %	14.1 %	16.1 %	17.2 %	17.9 %	18.8 %	15.3 %	17.9 %	20.7 %	21.9 %
	423,477	425,936	417,614	418,287		403,740	386,833	369,570	366,680
	748	748	748	1,497		1,499	1,510	764	766
	606	537	477	476		479	301	293	287
337,660	338,229	337,916	337,497	336,993	337,099	336,530	336,437	337,381	338,056
340,768	341,143	341,210	340,971	340,443	340,837	339,910	339,875	341,418	342,318
	338,285	338,228	337,720	337,318		336,582	336,456	336,513	338,367
	$ 60.40	$ 58.53	$ 57.45	$ 55.76		$ 55.24	$ 54.29	$ 52.28	$ 49.71
$ 103.58	103.58	103.28	103.45	99.95	$ 105.44	94.37	97.87	104.59	105.44
84.97	84.97	94.62	92.67	91.02	83.12	83.12	83.33	89.33	94.37
	28,916	28,901	28,170	27,674		27,103	26,539	25,823	25,417
	368	372	374	378		378	384	385	385

Table 2 – Overview of Results

Year ended October 31 (millions of Canadian dollars)	2024	2023[1]	2022	2021	2020
Net interest income[2]	**2,939**	3,586	5,271	4,783	4,255
Non-interest income[3]	**8,461**	6,472	4,381	4,144	3,672
Total revenues	**11,400**	10,058	9,652	8,927	7,927
Non-interest expenses[4]	**6,054**	5,753	5,230	4,903	4,616
Income before provisions for credit losses and income taxes	**5,346**	4,305	4,422	4,024	3,311
Provisions for credit losses	**569**	397	145	2	846
Income before income taxes	**4,777**	3,908	4,277	4,022	2,465
Income taxes[5]	**961**	619	894	882	434
Net income	**3,816**	3,289	3,383	3,140	2,031
Non-controlling interests	**(1)**	(2)	(1)	–	42
Net income attributable to the Bank's shareholders and holders of other equity instruments	**3,817**	3,291	3,384	3,140	1,989

[1] Certain comparative figures for 2023 have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

[2] For fiscal 2024, *Net interest income* included an amount of $14 million to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB.

[3] For fiscal 2024 *Non-interest income* included a gain of $174 million upon the remeasurement at fair value of the interest already held in CWB as well as a $3 million loss to reflect the management of the fair value changes of the CWB acquisition (2023: gain of $91 million to reflect the fair value remeasurement of the equity interest in TMX; 2021: $33 million gain following a remeasurement of the previously held equity interest in Flinks and a $30 million loss related to the fair value remeasurement of the Bank's equity interest in AfrAsia; 2020: $24 million foreign currency translation loss on a disposal of subsidiaries.)

[4] For fiscal 2024 *Non-interest expenses* included acquisition and integration charges of $18 million related to the CWB transaction. For fiscal 2023, *Non-interest expenses* had included impairment losses on premises and equipment and intangible assets of $86 million (2021: $9 million; 2020: $71 million), $35 million in litigation expenses, a $25 million expense related to changes to the *Excise Tax Act,* and $15 million in provisions for contracts. In fiscal 2020, *Non-interest expenses* had included $48 million in severance pay and a $13 million charge related to Maple Financial Group Inc. (Maple).

[5] *Income taxes* for 2023 had included an amount of $24 million related to the Canadian government's 2022 tax measures.

Table 3 – Changes in Net Interest Income

Year ended October 31 (millions of Canadian dollars)	2024	2023	2022	2021	2020
Personal and Commercial					
Net interest income	**3,587**	3,321	2,865	2,547	2,420
Average assets[1]	**158,917**	148,511	140,300	126,637	115,716
Average interest-bearing assets[2]	**153,980**	141,458	133,543	120,956	110,544
Net interest margin[2]	**2.33 %**	2.35 %	2.15 %	2.11 %	2.19 %
Wealth Management					
Net interest income on a taxable equivalent basis	**833**	778	594	446	442
Average assets[1]	**9,249**	8,560	8,440	7,146	5,917
Financial Markets					
Net interest income on a taxable equivalent basis[3]	**(2,449)**	(1,054)	1,258	1,262	971
Average assets[1]	**195,881**	180,837	154,349	151,240	125,565
USSF&I					
Net interest income	**1,303**	1,132	1,090	907	807
Average assets[1]	**27,669**	23,007	18,890	16,150	14,336
Other					
Net interest income[3][4]	**(335)**	(591)	(536)	(379)	(385)
Average assets[1]	**65,546**	69,731	71,868	62,333	56,553
Total					
Net interest income	**2,939**	3,586	5,271	4,783	4,255
Average assets[1]	**457,262**	430,646	393,847	363,506	318,087

[1] Represents an average of the daily balances for the period.

[2] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[3] For fiscal 2024, the *Net interest income* of the Financial Markets segment was grossed up by $70 million (2023: $324 million; 2022: $229 million; 2021: $175 million; 2020: $202 million), and the *Net interest income* of the *Other* heading was grossed up by $9 million (2023: $8 million; 2022: $5 million; 2021: $6 million; 2020: $6 million). The effect of these adjustments is reversed under the *Other* heading of segment disclosures. In light of the enacted legislation with respect to Canadian dividends, the Bank did not recognize an income tax deduction or use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see the Income Taxes section).

[4] For fiscal 2024, *Net interest income* included an amount of $14 million to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB.

Table 4 – Non-Interest Income

Year ended October 31 (millions of Canadian dollars)	2024	2023[1]	2022	2021	2020
Underwriting and advisory fees	**419**	378	324	415	314
Securities brokerage commissions	**194**	174	204	238	204
Mutual fund revenues	**638**	578	587	563	477
Investment management and trust service fees	**1,141**	1,005	997	900	735
Credit fees	**195**	183	155	164	147
Revenues from acceptances, letters of credit and guarantee	**265**	391	335	342	320
Card revenues	**212**	202	186	148	138
Deposit and payment service charges	**294**	300	298	274	262
Trading revenues (losses)[2]	**4,299**	2,677	543	268	544
Gains (losses) on non-trading securities, net[3]	**318**	70	113	151	93
Insurance revenues, net[1]	**73**	59	158	131	128
Foreign exchange revenues, other than trading	**225**	183	211	202	164
Share in the net income of associates and joint ventures	**8**	11	28	23	28
Other[4]	**180**	261	242	325	118
	8,461	6,472	4,381	4,144	3,672
Canada	**7,055**	5,700	4,299	3,992	3,574
United States	**191**	98	18	106	5
Other countries	**1,215**	674	64	46	93
Non-interest income as a % of total revenues	**74.2 %**	64.3 %	45.4 %	46.4 %	46.3 %

(1) Certain comparative figures for 2023 have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

(2) For fiscal 2024, *Trading revenues (losses)* included a $3 million loss related to the management of the fair value changes related to the CWB acquisition.

(3) For fiscal 2024, *Gains (losses) on non-trading securities, net* included a gain of $174 million upon the remeasurement at fair value of the equity interest already held in CWB.

(4) For fiscal 2023, *Other* had included a gain of $91 million to reflect the remeasurement at fair value of the equity interest in TMX (2021: $33 million gain following a remeasurement of the previously held equity interest in Flinks and a $30 million loss related to the fair value remeasurement of the Bank's equity interest in AfrAsia; 2020: $24 million foreign currency translation loss on a disposal of subsidiaries).

Table 5 – Trading Activity Revenues

Year ended October 31					
(millions of Canadian dollars)	**2024**	2023	2022	2021	2020
Net interest income (loss) related to trading activity[1]	**(3,076)**	(1,816)	682	777	522
Taxable equivalent basis[2]	**70**	321	229	171	202
Net interest income (loss) related to trading activity on a taxable equivalent basis[2]	**(3,006)**	(1,495)	911	948	724
Non-interest income related to trading activity[1]	**4,327**	2,696	548	282	625
Taxable equivalent basis[2]	**306**	247	48	8	57
Non-interest income related to trading activity on a taxable equivalent basis[2]	**4,633**	2,943	596	290	682
Trading activity revenues[1]	**1,251**	880	1,230	1,059	1,147
Taxable equivalent basis[2]	**376**	568	277	179	259
Trading activity revenues on a taxable equivalent basis[2]	**1,627**	1,448	1,507	1,238	1,406
Trading activity revenues by segment on a taxable equivalent basis[2]					
Financial Markets					
Equities	**1,018**	904	979	685	706
Interest rate and credit	**573**	417	367	357	430
Commodities and foreign exchange	**198**	173	156	128	132
	1,789	1,494	1,502	1,170	1,268
Other segments	**(162)**	(46)	5	68	138
	1,627	1,448	1,507	1,238	1,406

(1) See the Glossary section on pages 130 to 133 for details on the composition of these measures.

(2) See the Financial Reporting Method section on pages 14 to 20 for additional information on non-GAAP financial measures. The taxable equivalent basis presented in this table is related to trading portfolios. The Bank also uses the taxable equivalent basis for certain investment portfolios, and the amounts stood at $9 million for fiscal 2024 (2023: $11 million; 2022: $5 million; 2021: $10 million; 2020: $6 million). In light of the enacted legislation with respect to Canadian dividends, the Bank did not recognize an income tax deduction or use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see the Income Taxes section).

Table 6 – Non-Interest Expenses

Year ended October 31					
(millions of Canadian dollars)	**2024**	2023[1]	2022	2021	2020
Compensation and employee benefits[1][2]	**3,725**	3,425	3,284	3,027	2,713
Occupancy[1]	**189**	178	157	147	151
Amortization – Premises and equipment[3]	**177**	172	155	152	140
Technology[1]	**708**	646	589	557	510
Amortization – Technology[4]	**338**	432	326	314	366
Communications	**56**	58	57	53	58
Professional fees[1][5]	**316**	256	249	246	244
Advertising and business development	**175**	168	144	109	103
Capital and payroll taxes	**36**	37	32	52	73
Other[1][6]	**334**	381	237	246	258
Total	**6,054**	5,753	5,230	4,903	4,616
Canada	**5,464**	5,213	4,760	4,478	4,195
United States	**238**	226	209	203	209
Other countries	**352**	314	261	222	212
Efficiency ratio[7]	**53.1 %**	57.2 %	54.2 %	54.9 %	58.2 %

(1) Certain comparative figures for 2023 have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to the Consolidated Financial Statements.

(2) For fiscal 2020, *Compensation and employee benefits* had included $48 million in severance pay.

(3) For fiscal 2023, *Amortization – Premises and Equipment* expense had included $11 million in impairment losses.

(4) For fiscal 2023, *Amortization – Technology* expense had included $75 million in intangible asset impairment losses (2021: $9 million; 2020: $71 million).

(5) For fiscal 2024, *Professional fees* included acquisition and integration charges of $18 million related to the CWB transaction.

(6) For fiscal 2023, *Other* expenses had included $35 million in litigation expenses, a $25 million expense related to changes to the *Excise Tax Act*, and $15 million in provisions for contracts. For fiscal 2020, *Other* expenses had included a $13 million charge related to Maple.

(7) See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Table 7 – Provisions for Credit Losses[1]

Year ended October 31 (millions of Canadian dollars)	2024	2023	2022	2021	2020
Personal Banking[2]					
Stage 3	**196**	119	75	65	147
Stages 1 and 2	**28**	38	9	(77)	121
	224	157	84	(12)	268
Commercial Banking					
Stage 3	**106**	48	13	26	76
Stages 1 and 2	**19**	40	–	26	103
POCI	**(14)**	(7)	–	–	–
	111	81	13	52	179
Wealth Management					
Stage 3	**–**	(1)	1	1	4
Stages 1 and 2	**(1)**	3	2	–	3
	(1)	2	3	1	7
Financial Markets					
Stage 3	**34**	3	1	78	99
Stages 1 and 2	**20**	36	(24)	(102)	210
	54	39	(23)	(24)	309
USSF&I					
Stage 3	**144**	76	48	13	46
Stages 1 and 2	**26**	53	12	(2)	41
POCI	**12**	(16)	6	(26)	(7)
	182	113	66	(15)	80
Other					
Stage 3	**–**	–	–	–	–
Stages 1 and 2	**(1)**	5	2	–	3
	(1)	5	2	–	3
Total provisions for credit losses					
Stage 3	**480**	245	138	183	372
Stages 1 and 2	**91**	175	1	(155)	481
POCI	**(2)**	(23)	6	(26)	(7)
	569	397	145	2	846
Average loans and acceptances	**234,180**	215,976	194,340	172,323	159,275
Provisions for credit losses on impaired loans excluding POCI loans[3] as a % of average loans and acceptances[3]	**0.20 %**	0.11 %	0.07 %	0.11 %	0.23 %
Provisions for credit losses as a % of average loans and acceptances[3]	**0.24 %**	0.18 %	0.07 %	– %	0.53 %

[1] The *Stage 3* category presented in this table represents provisions for credit losses on loans classified in Stage 3 of the expected credit loss model and excludes POCI loans (impaired loans excluding POCI loans). The *Stages 1 and 2* category represents provisions for credit losses on non-impaired loans. The *POCI* category represents provisions for credit losses on POCI loans.

[2] Includes credit card receivables.

[3] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Table 8 – Change in Average Volumes[1]

Year ended October 31 (millions of Canadian dollars)	2024		2023		2022		2021		2020	
	Average volume $	**Rate %**	Average volume $	Rate %	Average volume $	Rate %	Average volume $	Rate %	Average volume $	Rate %
Assets										
Deposits with financial institutions	**31,429**	**4.92**	40,824	4.09	42,042	1.03	40,294	0.31	24,966	0.44
Securities	**146,911**	**1.94**	126,182	1.93	111,863	1.77	116,023	1.25	97,025	1.63
Securities purchased under reverse repurchase agreements and securities borrowed	**17,607**	**9.61**	19,533	6.61	16,255	2.08	11,559	0.90	16,408	1.39
Residential mortgage loans	**89,621**	**4.47**	82,884	3.95	75,712	2.90	68,297	2.93	59,801	3.13
Personal loans	**46,039**	**5.92**	44,829	5.44	42,723	3.82	38,434	3.16	36,273	3.68
Credit card receivables	**2,532**	**13.58**	2,325	13.17	2,133	12.81	1,864	13.47	1,995	14.62
Business and government loans	**86,899**	**7.08**	69,599	6.49	58,947	3.63	50,216	3.06	47,272	4.13
POCI loans	**528**	**20.26**	545	21.98	493	32.68	686	22.64	1,073	16.45
Average interest-bearing assets[1]	**421,566**	**4.70**	386,721	4.30	350,168	2.69	327,373	2.13	284,813	2.66
Other assets	**35,696**		43,925		43,679		36,133		33,274	
	457,262	**4.37**	430,646	3.90	393,847	2.43	363,506	1.93	318,087	2.38
Liabilities and equity										
Personal deposits	**91,976**	**2.48**	84,262	2.03	72,927	0.67	68,334	0.42	63,634	0.87
Deposit-taking institutions	**4,936**	**4.17**	4,997	3.81	5,695	0.88	6,522	0.09	6,494	0.63
Other deposits	**218,693**	**4.88**	195,311	4.15	180,307	1.28	161,373	0.68	137,253	1.26
	315,605	**4.17**	284,570	3.51	258,929	1.10	236,229	0.58	207,381	1.12
Subordinated debt	**1,083**	**5.72**	937	5.16	960	3.70	758	3.22	759	3.25
Obligations other than deposits[2]	**85,837**	**4.31**	90,194	3.43	81,659	1.13	80,808	0.67	70,973	1.12
Average interest-bearing liabilities[1]	**402,525**	**4.23**	375,701	3.51	341,548	1.25	317,795	0.69	279,113	1.19
Other liabilities	**28,695**		30,698		30,209		28,195		23,400	
Equity	**26,042**		24,247		22,090		17,516		15,574	
	457,262	**3.73**	430,646	3.07	393,847	1.09	363,506	0.61	318,087	1.04
Net interest margin[3]		**0.64**		0.83		1.34		1.32		1.34

[1] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[2] Average obligations other than deposits represent the average of the daily balances for the fiscal year of obligations related to securities sold short, obligations related to securities sold under repurchase agreements and securities loaned, and liabilities related to transferred receivables.

[3] Calculated by dividing net interest income by average assets.

Table 9 – Distribution of Gross Loans and Acceptances by Borrower Category Under Basel Asset Classes

As at October 31 (millions of Canadian dollars)	2024		2023		2022		2021		2020	
	$	%	$	%	$	%	$	%	$	%
Residential mortgage[1]	**104,665**	**42.8**	99,910	44.1	95,575	46.0	89,035	48.5	81,543	49.2
Qualifying revolving retail[2]	**4,148**	**1.7**	4,000	1.8	3,801	1.8	3,589	2.0	3,599	2.2
Other retail[3]	**17,919**	**7.3**	16,696	7.4	14,899	7.2	12,949	7.0	11,569	7.0
Agriculture	**9,192**	**3.8**	8,545	3.8	8,109	3.9	7,357	4.0	6,696	4.0
Oil and gas	**1,913**	**0.8**	1,826	0.8	1,435	0.7	1,807	1.0	2,506	1.5
Mining	**2,062**	**0.9**	1,245	0.5	1,049	0.5	529	0.3	756	0.5
Utilities	**12,528**	**5.1**	12,427	5.5	9,682	4.6	7,687	4.2	6,640	4.0
Non-real-estate construction[4]	**1,864**	**0.8**	1,739	0.8	1,935	0.9	1,541	0.8	1,079	0.7
Manufacturing	**8,064**	**3.3**	7,047	3.1	7,374	3.6	5,720	3.1	5,803	3.5
Wholesale	**3,145**	**1.3**	3,208	1.4	3,241	1.6	2,598	1.4	2,206	1.3
Retail	**4,229**	**1.7**	3,801	1.7	3,494	1.7	2,978	1.6	2,955	1.8
Transportation	**3,253**	**1.3**	2,631	1.2	2,209	1.1	1,811	1.0	1,528	0.9
Communications	**2,542**	**1.0**	2,556	1.1	1,830	0.9	1,441	0.8	1,184	0.7
Financial services	**12,775**	**5.2**	11,693	5.1	10,777	5.2	8,870	4.8	7,476	4.4
Real estate and real-estate-construction[5]	**30,848**	**12.6**	25,967	11.5	22,382	10.8	18,195	9.9	14,171	8.6
Professional services	**3,871**	**1.6**	3,973	1.7	2,338	1.1	1,872	1.0	1,490	0.9
Education and health care	**3,487**	**1.4**	3,700	1.6	3,412	1.6	4,073	2.2	3,800	2.3
Other services	**7,356**	**3.0**	6,898	3.0	6,247	3.0	5,875	3.2	5,296	3.2
Government	**1,853**	**0.8**	1,727	0.8	1,661	0.8	1,159	0.6	1,160	0.7
Other	**8,268**	**3.4**	6,478	2.9	5,790	2.8	4,137	2.3	3,586	2.1
POCI loans	**391**	**0.2**	560	0.2	459	0.2	464	0.3	855	0.5
	244,373	**100.0**	226,627	100.0	207,699	100.0	183,687	100.0	165,898	100.0

[1] Includes residential mortgage loans on one- to four-unit dwellings (Basel definition) and home equity lines of credit.

[2] Includes lines of credit and credit card receivables.

[3] Includes consumer loans and other retail loans but excludes SME loans.

[4] Includes civil engineering loans, public-private partnership loans, and project finance loans.

[5] Includes residential mortgages on dwellings of five or more units and SME loans.

Table 10 – Impaired Loans

As at October 31 (millions of Canadian dollars)	**2024**	2023	2022	2021	2020
Gross impaired loans					
Personal Banking	**327**	220	176	169	287
Commercial Banking	**451**	296	206	244	333
Wealth Management	**16**	13	21	23	8
Financial Markets	**122**	110	167	162	134
USSF&I	**736**	385	242	64	55
Gross impaired loans excluding POCI loans[1]	**1,652**	1,024	812	662	817
Gross POCI loans	**391**	560	459	464	855
	2,043	1,584	1,271	1,126	1,672
Net impaired loans[2]					
Personal Banking	**203**	145	104	106	206
Commercial Banking	**302**	140	89	107	184
Wealth Management	**11**	8	15	16	2
Financial Markets	**78**	30	91	14	43
USSF&I	**550**	283	180	40	30
Net impaired loans excluding POCI loans[1]	**1,144**	606	479	283	465
Net POCI loans	**485**	670	551	553	921
	1,629	1,276	1,030	836	1,386
Allowances for credit losses on impaired loans excluding POCI loans[1]	**508**	418	333	379	352
Allowances for credit losses on POCI loans	**(94)**	(110)	(92)	(89)	(66)
Allowances for credit losses on impaired loans	**414**	308	241	290	286
Impaired loan provisioning rate excluding POCI loans[1]	**30.8 %**	40.8 %	41.0 %	57.3 %	43.1 %
Gross impaired loans excluding POCI loans as a % of loans and acceptances[1]	**0.68 %**	0.45 %	0.39 %	0.36 %	0.49 %
Net impaired loans excluding POCI loans as a % of loans and acceptances[1]	**0.47 %**	0.27 %	0.23 %	0.15 %	0.28 %

[1] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[2] Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and on POCI loans.

Table 11 – Allowances for Credit Losses

Year ended October 31 (millions of Canadian dollars)	2024	2023	2022	2021	2020
Balance at beginning	**1,377**	1,131	1,169	1,343	755
Provisions for credit losses	**569**	397	145	2	846
Write-offs	**(421)**	(199)	(233)	(192)	(294)
Disposals	**(2)**	–	–	(14)	–
Recoveries	**56**	47	40	44	44
Exchange rate and other movements	**(6)**	1	10	(14)	(8)
Balance at end	**1,573**	1,377	1,131	1,169	1,343
Composition of allowances:					
Allowances for credit losses on impaired loans excluding POCI loans[1]	**508**	418	333	379	352
Allowances for credit losses on POCI loans	**(94)**	(110)	(92)	(89)	(66)
Allowances for credit losses on non-impaired loans	**927**	876	714	708	872
Allowances for credit losses on off-balance-sheet commitments and other assets	**232**	193	176	171	185

(1) See the Glossary section on pages 130 to 133 for details on the composition of these measures.

Table 12 – Deposits

As at October 31 (millions of Canadian dollars)	2024		2023		2022		2021		2020	
	$	**%**	$	%	$	%	$	%	$	%
Personal	**95,181**	**28.5**	87,883	30.5	78,811	29.6	70,076	29.1	67,499	31.3
Business and government	**232,730**	**69.8**	197,328	68.5	184,230	69.1	167,870	69.7	143,787	66.6
Deposit-taking institutions	**5,634**	**1.7**	2,962	1.0	3,353	1.3	2,992	1.2	4,592	2.1
Total	**333,545**	**100.0**	288,173	100.0	266,394	100.0	240,938	100.0	215,878	100.0
Canada	**300,642**	**90.1**	257,732	89.4	238,239	89.5	216,906	90.0	195,730	90.7
United States	**8,908**	**2.7**	9,520	3.3	9,147	3.4	9,234	3.8	8,126	3.7
Other countries	**23,995**	**7.2**	20,921	7.3	19,008	7.1	14,798	6.2	12,022	5.6
Total	**333,545**	**100.0**	288,173	100.0	266,394	100.0	240,938	100.0	215,878	100.0
Personal deposits as a % of total assets		**20.6**		20.8		19.5		19.7		20.4

Glossary

Acceptances
Acceptances and the customers' liability under acceptances constitute a guarantee of payment by a bank and can be traded in the money market. The Bank earns a "stamping fee" for providing this guarantee.

Allowances for credit losses
Allowances for credit losses represent management's unbiased estimate of expected credit losses as at the balance sheet date. These allowances are primarily related to loans and off-balance sheet items such as loan commitments and financial guarantees.

Assets under administration
Assets in respect of which a financial institution provides administrative services on behalf of the clients who own the assets. Such services include custodial services, collection of investment income, settlement of purchase and sale transactions, and record-keeping. Assets under administration are not reported on the balance sheet of the institution offering such services.

Assets under management
Assets managed by a financial institution and that are beneficially owned by clients. Management services are more comprehensive than administrative services and include selecting investments or offering investment advice. Assets under management, which may also be administered by the financial institution, are not reported on the balance sheet of the institution offering such services.

Available TLAC
Available TLAC includes total capital as well as certain senior unsecured debt subject to the federal government's bail-in regulations that satisfy all the eligibility criteria in OSFI's Total Loss Absorbing Capacity (TLAC) Guideline.

Average interest-bearing assets
Average interest-bearing assets include interest-bearing deposits with financial institutions and certain cash items, securities, securities purchased under reverse repurchase agreements and securities borrowed, and loans, while excluding customers' liability under acceptances and other assets. The average is calculated based on the daily balances for the period.

Average interest-bearing assets, non-trading
Average interest-bearing assets, non-trading, include interest-bearing deposits with financial institutions and certain cash items, securities purchased under reverse repurchase agreements and borrowed securities, and loans, while excluding other assets and assets related to trading activities. The average is calculated based on the daily balances for the period.

Average volumes
Average volumes represent the average of the daily balances for the period of the consolidated balance sheet items.

Basic earnings per share
Basic earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average basic number of common shares outstanding.

Basis point (bps)
Unit of measure equal to one one-hundredth of a percentage point (0.01%).

Book value of a common share
The book value of a common share is calculated by dividing common shareholders' equity by the number of common shares on a given date.

Common Equity Tier 1 (CET1) capital ratio
CET1 capital consists of common shareholders' equity, less goodwill, intangible assets, and other capital deductions. The CET1 capital ratio is calculated by dividing total CET1 capital by the corresponding risk-weighted assets.

Compound annual growth rate (CAGR)
CAGR is a rate of growth that shows, for a period exceeding one year, the annual change as though the growth had been constant throughout the period.

Derivative financial instruments
Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, exchange rate, equity price, commodity price, credit instrument or index. Examples of derivatives include swaps, options, forward rate agreements, and futures. The notional amount of the derivative is the contract amount used as a reference point to calculate the payments to be exchanged between the two parties, and the notional amount itself is generally not exchanged by the parties.

Diluted earnings per share
Diluted earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding after taking into account the dilution effect of stock options using the treasury stock method and any gain (loss) on the redemption of preferred shares.

Dividend payout ratio
The dividend payout ratio represents the dividends of common shares (per share amount) expressed as a percentage of basic earnings per share.

Economic capital
Economic capital is the internal measure used by the Bank to determine the capital required for its solvency and to pursue its business operations. Economic capital takes into consideration the credit, market, operational, business and other risks to which the Bank is exposed as well as the risk diversification effect among them and among the business segments. Economic capital thus helps the Bank to determine the capital required to protect itself against such risks and ensure its long-term viability.

Efficiency ratio
The efficiency ratio represents non-interest expenses expressed as a percentage of total revenues. It measures the efficiency of the Bank's operations.

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 in the principal market at the measurement date under current market conditions (i.e., an exit price).

Gross impaired loans as a percentage of total loans and acceptances
This measure represents gross impaired loans expressed as a percentage of the balance of loans and acceptances.

Gross impaired loans excluding POCI loans
Gross impaired loans excluding POCI loans are all loans classified in Stage 3 of the expected credit loss model excluding POCI loans.

Gross impaired loans excluding POCI loans as a percentage of total loans and acceptances
This measure represents gross impaired loans excluding POCI loans expressed as a percentage of the balance of loans and acceptances.

Hedging
The purpose of a hedging transaction is to modify the Bank's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging instrument.

Impaired loans
The Bank considers a financial asset, other than a credit card receivable, to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. Credit card receivables are considered credit-impaired and are fully written off at the earlier of the following dates: when a notice of bankruptcy is received, a settlement proposal is made, or contractual payments are 180 days past due.

Leverage ratio
The leverage ratio is calculated by dividing Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative financial instrument exposures and securities financing transaction exposures) and off-balance-sheet items.

Liquidity coverage ratio (LCR)
The LCR is a measure designed to ensure that the Bank has sufficient high-quality liquid assets to cover net cash outflows given a severe, 30-day liquidity crisis.

Loans and acceptances
Loans and acceptances represent the sum of loans and of the customers' liability under acceptances.

Loan-to-value ratio
The loan-to-value ratio is calculated according to the total facility amount for residential mortgages and home equity lines of credit divided by the value of the related residential property.

Master netting agreement
Legal agreement between two parties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in the event of default, insolvency or bankruptcy.

Net impaired loans
Net impaired loans are gross impaired loans presented net of allowances for credit losses on Stage 3 loan amounts drawn.

Net impaired loans as a percentage of total loans and acceptances
This measure represents net impaired loans as a percentage of the balance of loans and acceptances.

Net impaired loans excluding POCI loans
Net impaired loans excluding POCI loans are gross impaired loans excluding POCI loans presented net of allowances for credit losses on amounts drawn on Stage 3 loans granted by the Bank.

Net interest income from trading activities
Net interest income from trading activities comprises dividends related to financial assets and liabilities associated with trading activities and interest income related to the financing of these financial assets and liabilities, net of interest expenses.

Net interest income, non-trading
Net interest income, non-trading, comprises revenues related to financial assets and liabilities associated with non-trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities.

Net interest margin
Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

Net stable funding ratio (NSFR)
The NSFR ratio is a measure that helps guarantee that the Bank is maintaining a stable funding profile to reduce the risk of funding stress.

Net write-offs as a percentage of average loans and acceptances
This measure represents the net write-offs (net of recoveries) expressed as a percentage of average loans and acceptances.

Non-interest income related to trading activities
Non-interest income related to trading activities consists of realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, changes in the fair value of loans at fair value through profit or loss, changes in the fair value of financial instruments designated at fair value through profit or loss, certain commission income, other trading activity revenues, and any applicable transaction costs.

Office of the Superintendent of Financial Institutions (Canada) (OSFI)
The mandate of OSFI is to regulate and supervise financial institutions and private pension plans subject to federal oversight, to help minimize undue losses to depositors and policyholders and, thereby, to contribute to public confidence in the Canadian financial system.

Operating leverage
Operating leverage is the difference between the growth rate for total revenues and the growth rate for non-interest expenses.

Provisioning rate
This measure represents the allowances for credit losses on impaired loans expressed as a percentage of gross impaired loans.

Provisioning rate excluding POCI loans
This measure represents the allowances for credit losses on impaired loans excluding POCI loans expressed as a percentage of gross impaired loans excluding POCI loans.

Provisions for credit losses
Amount charged to income necessary to bring the allowances for credit losses to a level deemed appropriate by management and is comprised of provisions for credit losses on impaired and non-impaired financial assets.

Provisions for credit losses as a percentage of average loans and acceptances
This measure represents the provisions for credit losses expressed as a percentage of average loans and acceptances.

Provisions for credit losses on impaired loans as a percentage of average loans and acceptances
This measure represents the provisions for credit losses on impaired loans expressed as a percentage of average loans and acceptances.

Provisions for credit losses on impaired loans excluding POCI loans
Amount charged to income necessary to bring the allowances for credit losses to a level deemed appropriate by management and is comprised of provisions for credit losses on impaired financial assets excluding POCI loans.

Provisions for credit losses on impaired loans excluding POCI loans as a percentage of average loans and acceptances or provisions for credit losses on impaired loans excluding POCI loans ratio
This measure represents the provisions for credit losses on impaired loans excluding POCI loans expressed as a percentage of average loans and acceptances.

Return on average assets
Return on average assets represents net income expressed as a percentage of average assets.

Return on common shareholders' equity (ROE)
ROE represents net income attributable to common shareholders expressed as a percentage of average equity attributable to common shareholders. It is a general measure of the Bank's efficiency in using equity.

Risk-weighted assets
Assets are risk weighted according to the guidelines established by OSFI. In the Standardized calculation approach, risk factors are applied directly to the face value of certain assets in order to reflect comparable risk levels. In the Advanced Internal Ratings-Based (AIRB) Approach, risk-weighted assets are derived from the Bank's internal models, which represent the Bank's own assessment of the risks it incurs. In the Foundation Internal Ratings-Based (FIRB) Approach, the Bank can use its own estimate of probability of default but must rely on OSFI estimates for the loss given default and exposure at default risk parameters. Off-balance-sheet instruments are converted to balance sheet (or credit) equivalents by adjusting the notional values before applying the appropriate risk-weighting factors.

Securities purchased under reverse repurchase agreements
Securities purchased by the Bank from a client pursuant to an agreement under which the securities will be resold to the same client on a specified date and at a specified price. Such an agreement is a form of short-term collateralized lending.

Securities sold under repurchase agreements
Financial obligations related to securities sold pursuant to an agreement under which the securities will be repurchased on a specified date and at a specified price. Such an agreement is a form of short-term funding.

Structured entity
A structured entity is an entity created to accomplish a narrow and well-defined objective and is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements.

Taxable equivalent basis
Taxable equivalent basis is a calculation method that consists of grossing up certain revenues taxed at lower rates (notably dividends) by the income tax to a level that would make it comparable to revenues from taxable sources in Canada. The Bank uses the taxable equivalent basis to calculate net interest income, non-interest income and income taxes.

Tier 1 capital ratio

Tier 1 capital ratio consists of Common Equity Tier 1 capital and Additional Tier 1 instruments, namely, qualifying non-cumulative preferred shares and the eligible amount of innovative instruments. The Tier 1 capital ratio is calculated by dividing Tier 1 capital, less regulatory adjustments, by the corresponding risk-weighted assets.

TLAC leverage ratio

The TLAC leverage ratio is an independent risk measure that is calculated by dividing available TLAC by total exposure, as set out in OSFI's Total Loss Absorbing Capacity (TLAC) Guideline.

TLAC ratio

The TLAC ratio is a measure used to assess whether a non-viable Domestic Systemically Important Bank (D-SIB) has sufficient loss-absorbing capacity to support its recapitalization. It is calculated by dividing available TLAC by risk weighted assets, as set out in OSFI's Total Loss Absorbing Capacity (TLAC) Guideline.

Total capital ratio

Total capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital consists of the eligible portion of subordinated debt and certain allowances for credit losses. The Total capital ratio is calculated by dividing Total capital, less regulatory adjustments, by the corresponding risk-weighted assets.

Total shareholder return (TSR)

TSR represents the average total return on an investment in the Bank's common shares. The return includes changes in share price and assumes that the dividends received were reinvested in additional common shares of the Bank.

Trading activity revenues

Trading activity revenues consist of the net interest income and the non-interest income related to trading activities. Net interest income comprises dividends related to financial assets and liabilities associated with trading activities, and some interest income related to the financing of these financial assets and liabilities net of interest expenses and interest income related to the financing of these financial assets and liabilities. Non-interest income consists of realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, changes in the fair value of loans at fair value through profit or loss, changes in the fair value of financial instruments designated at fair value through profit or loss, realized and unrealized gains and losses as well as interest expense on obligations related to securities sold short, certain commission income, other trading activity revenues, and any applicable transaction costs.

Value-at-Risk (VaR)

VaR is a statistical measure of risk that is used to quantify market risks across products, per types of risks, and aggregate risk on a portfolio basis. VaR is defined as the maximum loss at a specific confidence level over a certain horizon under normal market conditions. The VaR method has the advantage of providing a uniform measurement of financial instrument-related market risks based on a single statistical confidence level and time horizon.

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Management's Responsibility for Financial Reporting

The Consolidated Financial Statements of National Bank of Canada (the Bank) have been prepared in accordance with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS® Accounting Standards), as issued by the International Accounting Standards Board (IASB). IFRS Accounting Standards represent Canadian generally accepted accounting principles (GAAP). None of the OSFI accounting requirements are exceptions to IFRS Accounting Standards.

Management maintains the accounting and internal control systems needed to discharge its responsibility, which is to provide reasonable assurance that the financial accounts are accurate and complete and that the Bank's assets are adequately safeguarded. Controls that are currently in place include quality standards on staff hiring and training; the implementation of organizational structures with clear divisions of responsibility and accountability for performance; the *Code of Professional Conduct*; and the communication of operating policies and procedures.

As Chief Executive Officer and as Chief Financial Officer, we have overseen the evaluation of the design and operation of the Bank's internal control over financial reporting in accordance with *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings* released by the Canadian Securities Administrators. Based on the evaluation work performed, we have concluded that the internal control over financial reporting and the disclosure controls and procedures were effective as at October 31, 2024 and that they provide reasonable assurance that the Bank's financial information is reliable and that its Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards.

The Board of Directors (the Board) is responsible for reviewing and approving the financial information contained in the *Annual Report*. Acting through the Audit Committee, the Board also oversees the presentation of the Consolidated Financial Statements and ensures that accounting and control systems are maintained. Composed of directors who are neither officers nor employees of the Bank, the Audit Committee is responsible, through Internal Audit, for performing an independent and objective review of the Bank's internal control effectiveness, i.e., governance processes, risk management processes and control measures. Furthermore, the Audit Committee reviews the Consolidated Financial Statements and recommends their approval to the Board.

The control systems are further supported by the presence of the Compliance Service, which exercises independent oversight and evaluation in order to assist managers in effectively managing regulatory compliance risk and to obtain reasonable assurance that the Bank is compliant with regulatory requirements.

Both the Senior Vice-President, Internal Audit and the Senior Vice-President, Chief Compliance Officer and Chief Anti-Money Laundering Officer have a direct functional link to the Chair of the Audit Committee and to the Chair of the Risk Management Committee. They both also have direct access to the President and Chief Executive Officer.

In accordance with the *Bank Act* (Canada), OSFI is mandated to protect the rights and interests of depositors. Accordingly, OSFI examines and enquires into the business and affairs of the Bank, as deemed necessary, to ensure that the provisions of the *Bank Act* (Canada) are being satisfied and that the Bank is in sound financial condition.

The independent auditor, Deloitte LLP, whose report follows, was appointed by the shareholders at the recommendation of the Board. The auditor has full and unrestricted access to the Audit Committee to discuss audit and financial reporting matters.

Laurent Ferreira
President and Chief Executive Officer

Marie Chantal Gingras
Chief Financial Officer and Executive Vice-President, Finance

Montreal, Canada, December 3, 2024

Independent Auditor's Report

To the Shareholders of National Bank of Canada

Opinion
We have audited the Consolidated Financial Statements of National Bank of Canada (the Bank), which comprise the consolidated balance sheets as at October 31, 2024 and 2023, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the Consolidated Financial Statements, including a summary of material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2024. 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.

Allowances for credit losses — Refer to Notes 1 and 8 to the financial statements
Key Audit Matter Description
The allowances for credit losses represent management's estimate of expected credit losses (ECL) on financial assets calculated under the IFRS 9, *Financial Instruments* ECL framework. The calculation of ECL is based on the probability of default (PD), loss given default (LGD), and exposure at default (EAD) of the underlying assets and represents an unbiased and probability weighted estimate of losses expected to occur in the future based on forecasts of macroeconomic variables for three scenarios. Lifetime ECL is recorded for financial assets that have experienced significant increases in credit risk (SICR) since initial recognition or that are impaired; otherwise 12-month ECL is recorded. Given uncertainty surrounding the key inputs used to measure credit losses, the Bank has applied expert credit judgment to adjust the modelled ECL results.

We have identified the allowances for credit losses as a key audit matter due to the inherent complexity of the ECL models used and the significant judgment required by management in relation to the forward-looking nature of some key assumptions including the impact of a possible economic recession. Significant auditor judgment was required in evaluating: (i) the models and methodologies used to measure ECL; (ii) the forecasts of macroeconomic scenarios and probability weighting; (iii) the determination of SICR; and (iv) the adjustments to the modelled ECL results representing management's expert credit judgment. Auditing the ECL models and the key judgments and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of professionals with specialized skills in credit risk and economics.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to the models and the key judgments and assumptions used by management to estimate the ECL included the following, among others:

- With the assistance of professionals with specialized skills in credit risk or economics:
    - For a selection of ECL models, evaluated the appropriateness of the models used to estimate ECL;
    - Evaluated the forecasts of macroeconomic scenarios and their probability weighting by comparing them against independently developed forecasts and publicly available industry data, including the impact of a possible economic recession;
    - Assessed management's determination of SICR and the appropriateness of the related model's programming;
    - Assessed the adjustments to the modelled ECL results by evaluating management's expert credit judgment.

Income taxes – Uncertain tax positions — Refer to Notes 1 and 26 to the financial statements

Key Audit Matter Description

In the normal course of its business, the Bank is involved in a number of transactions for which the tax impacts are uncertain. The Bank accounts for provisions for uncertain tax positions that adequately represent the risk stemming from tax matters under discussion or being audited by tax authorities or from other matters involving uncertainty. These provisions reflect management's best possible estimate of the amounts that may have to be paid based on qualitative assessments of all relevant factors. As disclosed in Note 26, the Bank was reassessed by the tax authorities for additional income taxes and interest in respect of certain Canadian dividends received by the Bank for certain taxation years and may be reassessed for subsequent taxation years in regard to similar activities. The Bank has not recognized any tax liability related to these uncertain tax positions.

We have identified the assessment of the accounting of the uncertain tax positions related to certain Canadian dividends as a key audit matter given the significant judgment made by management when evaluating the probability of acceptance of the Bank's tax positions and when interpreting relevant tax and case law and administrative positions. Auditing these judgments required a high degree of auditor judgment and resulted in an increased extent of audit effort, including the involvement of tax specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures pertaining to the assessment of the accounting of the uncertain tax positions related to certain Canadian dividends included the following, among others:

- With the assistance of tax specialists, evaluated management's assessment of the probability of acceptance of the Bank's tax positions by assessing:
    - The Bank's interpretations of relevant tax and case law and administrative positions;
    - The correspondence with the relevant tax authorities; and
    - The advice and legal opinions obtained by the Bank's external tax advisors.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance 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 Carl Magnan.

/s/ Deloitte LLP[1]

December 3, 2024
Montreal, Quebec

[1] CPA auditor, public accountancy permit No. A121501

Consolidated Balance Sheets

As at October 31		2024	2023[1]
Assets			
Cash and deposits with financial institutions		31,549	35,234
Securities	Notes 4, 5 and 7		
At fair value through profit or loss		115,935	99,994
At fair value through other comprehensive income		14,622	9,242
At amortized cost		14,608	12,582
		145,165	121,818
Securities purchased under reverse repurchase agreements and securities borrowed		16,265	11,260
Loans	Note 8		
Residential mortgage		95,009	86,847
Personal		46,883	46,358
Credit card		2,761	2,603
Business and government		99,720	84,192
		244,373	220,000
Customers' liability under acceptances		–	6,627
Allowances for credit losses		(1,341)	(1,184)
		243,032	225,443
Other			
Derivative financial instruments	Note 18	12,309	17,516
Investments in associates and joint ventures	Note 10	40	49
Premises and equipment	Note 11	1,868	1,592
Goodwill	Note 12	1,522	1,521
Intangible assets	Note 12	1,233	1,256
Other assets	Notes 2 and 13	9,243	7,788
		26,215	29,722
		462,226	423,477
Liabilities and equity			
Deposits	Notes 5, 14 and 16	333,545	288,173
Other			
Acceptances		–	6,627
Obligations related to securities sold short		10,873	13,660
Obligations related to securities sold under repurchase agreements and securities loaned	Note 9	38,177	38,347
Derivative financial instruments	Note 18	15,760	19,888
Liabilities related to transferred receivables	Notes 5 and 9	28,377	25,034
Other liabilities	Notes 2 and 15	8,686	7,416
		101,873	110,972
Subordinated debt	Note 17	1,258	748
Equity			
Equity attributable to the Bank's shareholders and holders of other equity instruments	Notes 20 and 24		
Preferred shares and other equity instruments		3,150	3,150
Common shares		3,463	3,294
Contributed surplus		85	68
Retained earnings	Note 2	18,633	16,650
Accumulated other comprehensive income		219	420
		25,550	23,582
Non-controlling interests	Note 21	–	2
		25,550	23,584
		462,226	423,477

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

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these audited Consolidated Financial Statements.

Laurent Ferreira
President and Chief Executive Officer

Lynn Loewen
Director

Consolidated Statements of Income

Year ended October 31		2024	2023[1]
Interest income			
Loans		**15,581**	12,676
Securities at fair value through profit or loss		**1,834**	1,681
Securities at fair value through other comprehensive income		**541**	279
Securities at amortized cost		**468**	473
Deposits with financial institutions		**1,547**	1,668
		19,971	16,777
Interest expense			
Deposits		**13,198**	10,015
Liabilities related to transferred receivables		**752**	633
Subordinated debt		**62**	47
Other		**3,020**	2,496
		17,032	13,191
Net interest income[2]		**2,939**	3,586
Non-interest income			
Underwriting and advisory fees		**419**	378
Securities brokerage commissions		**194**	174
Mutual fund revenues		**638**	578
Investment management and trust service fees		**1,141**	1,005
Credit fees		**460**	574
Card revenues		**212**	202
Deposit and payment service charges		**294**	300
Trading revenues (losses)	Note 23	**4,299**	2,677
Gains (losses) on non-trading securities, net		**318**	70
Insurance revenues, net	Note 2	**73**	59
Foreign exchange revenues, other than trading		**225**	183
Share in the net income of associates and joint ventures	Note 10	**8**	11
Other		**180**	261
		8,461	6,472
Total revenues		**11,400**	10,058
Non-interest expenses			
Compensation and employee benefits	Note 2	**3,725**	3,425
Occupancy	Notes 2 and 11	**366**	350
Technology	Notes 2, 11 and 12	**1,046**	1,078
Communications		**56**	58
Professional fees	Note 2	**316**	256
Other	Notes 2 and 32	**545**	586
		6,054	5,753
Income before provisions for credit losses and income taxes		**5,346**	4,305
Provisions for credit losses	Note 8	**569**	397
Income before income taxes		**4,777**	3,908
Income taxes	Notes 2 and 26	**961**	619
Net income		**3,816**	3,289
Net income attributable to			
Preferred shareholders and holders of other equity instruments		**154**	141
Common shareholders		**3,663**	3,150
Bank shareholders and holders of other equity instruments		**3,817**	3,291
Non-controlling interests		**(1)**	(2)
		3,816	3,289
Earnings per share *(dollars)*	Note 27		
Basic		**10.78**	9.33
Diluted		**10.68**	9.24
Dividends per common share *(dollars)*	Note 20	**4.32**	3.98

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

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these audited Consolidated Financial Statements.

[2] *Net interest income* includes dividend income. For additional information, see Note 1 to these audited Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Year ended October 31	2024	2023[1]
Net income	**3,816**	3,289
Other comprehensive income, net of income taxes		
Items that may be subsequently reclassified to net income		
Net foreign currency translation adjustments		
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**80**	155
Impact of hedging net foreign currency translation gains (losses)	**(67)**	(52)
	13	103
Net change in debt securities at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**68**	(87)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(59)**	85
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**–**	1
	9	(1)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(100)**	90
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(123)**	25
	(223)	115
Share in the other comprehensive income of associates and joint ventures	**–**	1
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**83**	(140)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**43**	45
Net fair value change attributable to credit risk on financial liabilities designated at fair value through profit or loss	**(350)**	(163)
	(224)	(258)
Total other comprehensive income, net of income taxes	**(425)**	(40)
Comprehensive income	**3,391**	3,249
Comprehensive income attributable to		
Bank shareholders and holders of other equity instruments	**3,392**	3,251
Non-controlling interests	**(1)**	(2)
	3,391	3,249

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

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these audited Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (cont.)

Income Taxes – Other Comprehensive Income

The following table presents the income tax expense or recovery for each component of other comprehensive income.

Year ended October 31	**2024**	2023
Items that may be subsequently reclassified to net income		
Net foreign currency translation adjustments		
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**–**	(3)
Impact of hedging net foreign currency translation gains (losses)	**(23)**	(14)
	(23)	(17)
Net change in debt securities at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**27**	(33)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(24)**	33
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**–**	–
	3	–
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(39)**	35
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(47)**	9
	(86)	44
Share in the other comprehensive income of associates and joint ventures	**–**	–
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**32**	(43)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**16**	8
Net fair value change attributable to credit risk on financial liabilities designated at fair value through profit or loss	**(135)**	(63)
	(87)	(98)
	(193)	(71)

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

Consolidated Statements of Changes in Equity

Year ended October 31		2024	2023[1]
Preferred shares and other equity instruments at beginning and at end	Note 20	**3,150**	3,150
Common shares at beginning	Note 20	**3,294**	3,196
Issuances of common shares pursuant to the Stock Option Plan		**146**	95
Impact of shares purchased or sold for trading		**23**	3
Common shares at end		**3,463**	3,294
Contributed surplus at beginning		**68**	56
Stock option expense	Note 24	**17**	18
Stock options exercised		**(16)**	(10)
Other		**16**	4
Contributed surplus at end		**85**	68
Retained earnings at beginning		**16,650**	15,140
Impact of IFRS 17 adoption on November 1, 2022	Note 2	**–**	(48)
Net income attributable to the Bank's shareholders and holders of other equity instruments	Note 2	**3,817**	3,291
Dividends on preferred shares and distributions on other equity instruments	Note 20	**(175)**	(163)
Dividends on common shares	Note 20	**(1,468)**	(1,344)
Remeasurements of pension plans and other post-employment benefit plans		**83**	(140)
Net gains (losses) on equity securities designated at fair value through other comprehensive income		**43**	45
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss		**(350)**	(163)
Impact of a financial liability resulting from put options written to non-controlling interests	Note 15	**18**	10
Other		**15**	22
Retained earnings at end		**18,633**	16,650
Accumulated other comprehensive income at beginning		**420**	202
Net foreign currency translation adjustments		**13**	103
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income		**9**	(1)
Net change in gains (losses) on instruments designated as cash flow hedges		**(223)**	115
Share in the other comprehensive income of associates and joint ventures		**–**	1
Accumulated other comprehensive income at end		**219**	420
Equity attributable to the Bank's shareholders and holders of other equity instruments		**25,550**	23,582
Non-controlling interests at beginning	Note 21	**2**	2
Net income attributable to non-controlling interests		**(1)**	(2)
Other		**(1)**	2
Non-controlling interests at end		**–**	2
Equity		**25,550**	23,584

Accumulated Other Comprehensive Income

As at October 31	2024	2023
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**320**	307
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**(26)**	(35)
Net gains (losses) on instruments designated as cash flow hedges	**(77)**	146
Share in the other comprehensive income of associates and joint ventures	**2**	2
	219	420

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

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these audited Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Year ended October 31		2024	2023[1]
Cash flows from operating activities			
Net income		**3,816**	3,289
Adjustments for			
Provisions for credit losses		**569**	397
Depreciation of premises and equipment, including right-of-use assets		**233**	211
Amortization of intangible assets		**281**	313
Impairment losses on premises and equipment and on intangible assets	Notes 11 and 12	**4**	88
Deferred taxes		**(138)**	(243)
Losses (gains) on sales of non-trading securities, net		**(144)**	(70)
Share in the net income of associates and joint ventures		**(8)**	(11)
Stock option expense		**17**	18
Gain on the fair value remeasurement of equity interests	Note 32	**(174)**	(91)
Change in operating assets and liabilities			
Securities at fair value through profit or loss		**(15,941)**	(12,619)
Securities purchased under reverse repurchase agreements and securities borrowed		**(5,005)**	15,226
Loans and acceptances, net of securitization		**(21,442)**	(20,252)
Deposits		**45,372**	21,779
Obligations related to securities sold short		**(2,787)**	(8,157)
Obligations related to securities sold under repurchase agreements and securities loaned		**(170)**	4,874
Derivative financial instruments, net		**1,079**	1,287
Securitization – Credit cards		**–**	(29)
Interest and dividends receivable and interest payable		**128**	407
Current tax assets and liabilities		**175**	(313)
Other items		**(1,213)**	(938)
		4,652	5,166
Cash flows from financing activities			
Issuances of common shares (including the impact of shares purchased for trading)		**153**	88
Issuance of subordinated debt		**500**	–
Repurchase of subordinated debt		**–**	(750)
Repayments of lease liabilities		**(110)**	(102)
Dividends paid on shares and distributions on other equity instruments		**(1,640)**	(1,503)
		(1,097)	(2,267)
Cash flows from investing activities			
Net change in investments in associates and joint ventures		**10**	–
Purchases of non-trading securities		**(17,333)**	(8,846)
Maturities of non-trading securities		**4,470**	4,249
Sales of non-trading securities		**6,220**	5,168
Net change in premises and equipment, excluding right-of-use assets		**(443)**	(352)
Net change in intangible assets		**(260)**	(299)
		(7,336)	(80)
Impact of currency rate movements on cash and cash equivalents		**96**	545
Increase (decrease) in cash and cash equivalents		**(3,685)**	3,364
Cash and cash equivalents at beginning		**35,234**	31,870
Cash and cash equivalents at end[2]		**31,549**	35,234
Supplementary information about cash flows from operating activities			
Interest paid		**16,767**	12,236
Interest and dividends received		**19,834**	16,228
Income taxes paid		**1,085**	741

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

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these audited Consolidated Financial Statements.

[2] This item represents the balance of *Cash and deposits with financial institutions* in the Consolidated Balance Sheet. It includes an amount of $11.7 billion as at October 31, 2024 ($9.3 billion as at October 31, 2023) for which there are restrictions and of which $6.5 billion ($6.5 billion as at October 31, 2023) represents the balances that the Bank must maintain with central banks, other regulatory agencies, and certain counterparties.

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Note 1 – Basis of Presentation and Summary of Material Accounting Policies

National Bank of Canada (the Bank) is a financial institution incorporated and domiciled in Canada and whose shares are listed on the Toronto Stock Exchange. Its head office is located at 800 Saint-Jacques Street in Montreal, Quebec, Canada. The Bank is a chartered bank under Schedule 1 of the *Bank Act* (Canada) and is regulated by the Office of the Superintendent of Financial Institutions (Canada) (OSFI). The Bank offers financial services to individuals, businesses, institutional clients, and governments throughout Canada as well as specialized services at the international level. It operates four business segments: the Personal and Commercial segment, the Wealth Management segment, the Financial Markets segment, and the U.S. Specialty Finance and International (USSF&I) segment. Its full line of services includes banking and investing solutions for individuals and businesses, corporate banking and investment banking services, securities brokerage, insurance, and wealth management.

On December 3, 2024, the Board of Directors (the Board) authorized the publication of the Bank's audited annual Consolidated Financial Statements (the Consolidated Financial Statements) for the year ended October 31, 2024.

Basis of Presentation

The Bank's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards), as issued by the International Accounting Standards Board (IASB). The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by OSFI, the Consolidated Financial Statements are to be prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards represent Canadian generally accepted accounting principles (GAAP). None of the OSFI accounting requirements are exceptions to IFRS Accounting Standards. The accounting policies described in the Summary of Material Accounting Policies section have been applied consistently to all periods presented.

Unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Bank's functional and presentation currency.

Interest Rate Benchmark Reform

The reform of interbank offered rates (IBORs) and other interest rate benchmarks is a global initiative being coordinated and led by central banks and governments around the world, including those in Canada. This reform has been unfolding for several years, with the IASB monitoring developments. To minimize the financial statement impacts arising from replacing current interest rate benchmarks with alternative benchmarks, the IASB amended certain IFRS Accounting Standards and allowed for some temporary exemptions, notably in the area of hedge accounting.

On December 31, 2021, all LIBOR (London Interbank Offered Rates) rates in European, British, Swiss, and Japanese currencies as well as the one-week and two-month USD LIBOR rates were discontinued, whereas the other USD LIBOR rates were discontinued as of June 30, 2023.

In Canada, CDOR (Canadian Dollar Offered Rate) ceased to be published on June 28, 2024 and was replaced by risk-free rates CORRA (Canadian Overnight Repo Rate Average) and term CORRA. As a result, the Bank ceased to grant loans based on bankers' acceptances and, consistent with its plan, it no longer has financial instruments referencing CDOR in its Consolidated Financial Statements as at October 31, 2024.

Summary of Material Accounting Policies

Judgments, Estimates and Assumptions
In preparing Consolidated Financial Statements in accordance with IFRS Accounting Standards, management must exercise judgment and make estimates and assumptions that affect the reporting date carrying amounts of assets and liabilities, net income, and related information. Furthermore, certain accounting policies require complex judgments and estimates because they apply to matters that are inherently uncertain, in particular accounting policies applicable to the following: the fair value determination of financial instruments, the impairment of financial assets, the impairment of non-financial assets, pension plans and other post-employment benefits, income taxes, provisions, the consolidation of structured entities, and the classification of debt instruments. Descriptions of these judgments and estimates are provided in each of the notes related thereto in the Consolidated Financial Statements. Actual results could therefore differ from these estimates, in which case the impacts are recognized in the Consolidated Financial Statements of future fiscal periods. The accounting policies described in this note provide greater detail about the use of estimates and assumptions and reliance on judgment.

The geopolitical landscape (notably, the Russia-Ukraine war and the clashes between Israel and Hamas), inflation, climate change, and high interest rates continue to create uncertainty. As a result, establishing reliable estimates and applying judgment continue to be substantially complex. The uncertainty surrounding certain key inputs used in measuring expected credit losses is described in Note 8 to these Consolidated Financial Statements.

Basis of Consolidation
Subsidiaries
These Consolidated Financial Statements include all the assets, liabilities, operating results and cash flows of the Bank and its subsidiaries, after elimination of intercompany transactions and balances. Subsidiaries are entities, including structured entities, controlled by the Bank. A structured entity is an entity created to accomplish a narrow and well-defined objective and is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements.

Management must exercise judgment in determining whether the Bank must consolidate an entity. The Bank controls an entity only if the following three conditions are met:

- it has decision-making authority regarding the entity's relevant activities;
- it has exposure or rights to variable returns from its involvement with the entity;
- it has the ability to use its power to affect the amount of the returns.

When determining decision-making authority, the Bank considers many factors, including the existence and effect of actual and potential voting rights held by the Bank that can be exercised as well as the holding of instruments that are convertible into voting shares. In addition, the Bank must determine whether, as an investor with decision-making rights, it acts as a principal or agent.

Based on these principles, an assessment of control is performed at the inception of a relationship between any entity and the Bank. When performing this assessment, the Bank considers all facts and circumstances, and it must reassess whether it still controls an investee if facts and circumstances indicate that one or more of the three conditions of control have changed.

The Bank consolidates the entities it controls from the date on which control is obtained and ceases to consolidate them from the date control ceases. The Bank uses the acquisition method to account for the acquisition of a subsidiary from a third party on the date control is obtained.

Non-Controlling Interests
Non-controlling interests in subsidiaries represent the equity interests held by third parties in the Bank's subsidiaries and are presented in total *Equity,* separately from *Equity attributable to the Bank's shareholders and holders of other equity instruments.* The non-controlling interests' proportionate shares of the net income and other comprehensive income of the Bank's subsidiaries are presented separately in the Consolidated Statement of Income and in the Consolidated Statement of Comprehensive Income, respectively.

With respect to units issued to third parties by mutual funds and certain other funds that are consolidated, they are presented at fair value in *Other liabilities* in the Consolidated Balance Sheet. Lastly, changes in ownership interests in subsidiaries that do not result in a loss of control are recognized as equity transactions. The difference between the adjustment in the carrying value of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in *Equity attributable to the Bank's shareholders and holders of other equity instruments*.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

Investments in Associates and Joint Ventures

The Bank exercises significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the investee. The Bank has joint control when there is a contractually agreed sharing of control of an entity, and joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates, i.e., entities over which the Bank exercises significant influence, and investments in joint ventures, i.e., entities over which the Bank has rights to the net assets and exercises joint control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and, thereafter, the carrying amount is increased or decreased by the Bank's proportionate share of net income, recognized in *Non-interest income* in the Consolidated Statement of Income, and by the proportionate share in other comprehensive income, recognized in *Other comprehensive income* in the Consolidated Statement of Comprehensive Income. Distributions received reduce the carrying amount of the interest.

Translation of Foreign Currencies

The Consolidated Financial Statements are presented in Canadian dollars, which is the Bank’s functional and presentation currency. Each foreign operation within the Bank’s scope of consolidation determines its own functional currency, and the items reported in the financial statements of each foreign operation are measured using that currency.

Monetary items and non-monetary items measured at fair value and denominated in foreign currencies are translated into the functional currency at exchange rates prevailing at the Consolidated Balance Sheet date. Non-monetary items not measured at fair value are translated into the functional currency at historical rates. Revenues and expenses denominated in foreign currencies are translated at the average exchange rates for the period. Translation gains and losses are recognized in *Non-interest income* in the Consolidated Statement of Income, except for equity instruments designated at fair value through other comprehensive income, for which unrealized gains and losses are recorded in *Other comprehensive income* and will not be subsequently reclassified to net income.

In the Consolidated Financial Statements, the assets and liabilities of all foreign operations are translated into the Bank’s functional currency at the exchange rates prevailing at the Consolidated Balance Sheet date, whereas the revenues and expenses of such foreign operations are translated into the Bank’s functional currency at the average exchange rates for the period. Any goodwill resulting from the acquisition of a foreign operation that does not have the same functional currency as the parent company, and any fair value adjustments to the carrying amounts of assets and liabilities resulting from the acquisition, are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing at the Consolidated Balance Sheet date. Unrealized translation gains and losses related to foreign operations, including the impact of hedges and income taxes on the related results, are presented in *Other comprehensive income*. Upon disposal of a foreign operation, any accumulated translation gains and losses, along with the related hedges, recorded under the *Accumulated other comprehensive income* item of this foreign operation, are reclassified to *Non-interest income* in the Consolidated Statement of Income.

Classification and Measurement of Financial Instruments

At initial recognition, all financial instruments are recorded at fair value in the Consolidated Balance Sheet. At initial recognition, financial assets must be classified as subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Bank determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. At initial recognition, financial liabilities are classified as subsequently measured at amortized cost or as at fair value through profit or loss.

For the purpose of classifying a financial asset, the Bank must determine whether the contractual cash flows associated with the financial asset are solely payments of principal and interest on the principal amount outstanding. The principal is generally the fair value of the financial asset at initial recognition. The interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs as well as of a profit margin. If the Bank determines that the contractual cash flows associated with a financial asset are not solely payments of principal and interest, the financial assets must be classified as measured at fair value through profit or loss.

When classifying financial assets, the Bank determines the business model used for each portfolio of financial assets that are managed together to achieve a same business objective. The business model reflects how the Bank manages its financial assets and the extent to which the financial asset cash flows are generated by the collection of the contractual cash flows, the sale of the financial assets, or both. The Bank determines the business model using scenarios that it reasonably expects to occur. Consequently, the business model determination is a matter of fact and requires the use of judgment and consideration of all the relevant evidence available to the Bank at the date of determination.

A financial asset portfolio falls within a "hold to collect" business model when the Bank's primary objective is to hold these financial assets in order to collect contractual cash flows from them and not to sell them. When the Bank's objective is achieved both by collecting contractual cash flows and by selling the financial assets, the financial asset portfolio falls within a "hold to collect and sell" business model. In this type of business model, collecting contractual cash flows and selling financial assets are both integral components to achieving the Bank's objective for this financial asset portfolio. Financial assets are mandatorily measured at fair value through profit or loss if they do not fall within either a "hold to collect" business model or a "hold to collect and sell" business model.

Financial Instruments Designated at Fair Value Through Profit or Loss

A financial asset may be irrevocably designated at fair value through profit or loss at initial recognition if certain conditions are met. The Bank may apply this option if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets or liabilities or recognizing gains and losses on them on different bases, and if the fair values are reliable. Financial assets thus designated are recognized at fair value, and any change in fair value is recorded in *Non-interest income* in the Consolidated Statement of Income. Interest income arising from these financial instruments designated at fair value through profit or loss is recorded in *Net interest income* in the Consolidated Statement of Income.

A financial liability may be irrevocably designated at fair value through profit or loss when it is initially recognized. Financial liabilities thus designated are recognized at fair value, and any changes in fair value attributable to changes in the Bank's own credit risk are recognized in *Other comprehensive income* unless these changes create or enlarge an accounting mismatch in *Net income.* Fair value changes not attributable to the Bank's own credit risk are recognized in *Non-interest income* in the Consolidated Statement of Income. The amounts recognized in *Other comprehensive income* will not be subsequently reclassified to *Net income*. Interest expense arising from these financial liabilities designated at fair value through profit or loss is recorded in the *Net interest income* item of the Consolidated Statement of Income. The Bank may use this option in the following cases:

- if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets or liabilities or recognizing gains and losses on them on different bases, and if the fair values are reliable;
- if a group of financial assets and financial liabilities to which an instrument belongs is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information is provided on that basis to senior management. Consequently, the Bank may use this option if it has implemented a documented risk management strategy to manage a group of financial instruments together on the fair value basis, if it can demonstrate that significant financial risks are eliminated or significantly reduced, and if the fair values are reliable;
- for hybrid financial instruments with one or more embedded derivatives that would significantly modify the cash flows of the financial instruments and that would otherwise be bifurcated and accounted for separately.

Financial Instruments Designated at Fair Value Through Other Comprehensive Income

At initial recognition, an investment in an equity instrument that is neither held for trading nor a contingent consideration recognized in a business combination may be irrevocably designated as being at fair value through other comprehensive income. In accordance with this designation, any change in fair value is recognized in *Other comprehensive income* with no subsequent reclassification to net income. Dividend income is recorded in *Interest income* in the Consolidated Statement of Income.

Securities Measured at Fair Value Through Other Comprehensive Income

Securities measured at fair value through other comprehensive income include: (i) debt securities for which the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding and that fall within a "hold to collect and sell" business model and (ii) equity securities designated at fair value through other comprehensive income with no subsequent reclassification of gains and losses to net income.

The Bank recognizes securities transactions at fair value through other comprehensive income on the trade date, and the transaction costs are capitalized. Interest income and dividend income are recognized in *Interest income* in the Consolidated Statement of Income.

Debt Securities Measured at Fair Value Through Other Comprehensive Income

Debt securities measured at fair value through other comprehensive income are recognized at fair value. Unrealized gains and losses are recognized, net of expected credit losses and related income taxes, and provided that they are not hedged by derivative financial instruments in a fair value hedging relationship, in *Other comprehensive income*. When the securities are sold, realized gains or losses, determined on an average cost basis, are reclassified to *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income. Premiums, discounts and related transaction costs are amortized to interest income over the expected life of the instrument using the effective interest rate method.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

Equity Securities Designated at Fair Value Through Other Comprehensive Income

Equity securities designated at fair value through other comprehensive income are recognized at fair value. Unrealized gains and losses are presented, net of income taxes, in *Other comprehensive income* with no subsequent reclassification of realized gains and losses to net income. Transaction costs incurred upon the purchase of such equity securities are not reclassified to net income upon the sale of the securities.

Securities Measured at Amortized Cost

Securities measured at amortized cost include debt securities for which the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding and that fall within a "hold to collect" business model.

The Bank recognizes these securities transactions at fair value on the trade date, and the transaction costs are capitalized. After initial recognition, debt securities in this category are recorded at amortized cost. Interest income is recognized in *Interest income* in the Consolidated Statement of Income. Premiums, discounts and related transaction costs are amortized to interest income over the expected life of the instrument using the effective interest rate method. Securities measured at amortized cost are presented net of allowances for credit losses in the Consolidated Balance Sheet.

Securities Measured at Fair Value Through Profit or Loss

Securities not classified or designated as measured at fair value through other comprehensive income or at amortized cost are classified as measured at fair value through profit or loss.

Securities measured at fair value through profit or loss include (i) securities held for trading, (ii) securities designated at fair value through profit or loss, (iii) all equity securities other than those designated as measured at fair value through other comprehensive income with no subsequent reclassifications of gains and losses to net income, and (iv) debt securities for which the contractual cash flows are not solely payments of principal and any interest on any principal amount outstanding.

The Bank recognizes securities transactions at fair value through profit or loss on the settlement date in the Consolidated Balance Sheet. Changes in fair value between the trade date and the settlement date are recognized in *Non-interest income* in the Consolidated Statement of Income.

Securities at fair value through profit or loss are recognized at fair value. Interest income, any transaction costs, as well as realized and unrealized gains or losses on securities held for trading are recognized in *Non-interest income – Trading revenues (losses*) in the Consolidated Statement of Income. Dividend income is recorded in *Interest income* in the Consolidated Statement of Income. Interest income on securities designated at fair value through profit or loss is recorded in *Interest income* in the Consolidated Statement of Income. Realized and unrealized gains or losses on these securities are recognized in *Non-interest income – Trading revenues (losses*) in the Consolidated Statement of Income.

Realized and unrealized gains or losses on equity securities at fair value through profit or loss, other than those held for trading, as well as debt securities for which the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, are recognized under *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income. The dividend income and interest income on these financial assets are recognized under *Interest income* in the Consolidated Statement of Income.

Securities Purchased Under Reverse Repurchase Agreements, Obligations Related to Securities Sold Under Repurchase Agreements, and Securities Borrowed and Loaned

The Bank recognizes these transactions at amortized cost using the effective interest rate method, except when they are designated at fair value through profit or loss and are recorded at fair value. These transactions are held within a business model whose objective is to collect contractual cash flows, i.e., cash flows that are solely payments of principal and interest on the principal amount outstanding. Securities sold under repurchase agreements remain on the Consolidated Balance Sheet, whereas securities purchased under reverse repurchase agreements are not recognized. Reverse repurchase agreements and repurchase agreements are treated as collateralized lending and borrowing transactions.

The Bank also borrows and lends securities. Securities loaned remain on the Consolidated Balance Sheet, while securities borrowed are not recognized. As part of these transactions, the Bank pledges or receives collateral in the form of cash or securities. Collateral pledged in the form of securities remains on the Consolidated Balance Sheet. Collateral received in the form of securities is not recognized in the Consolidated Balance Sheet. Collateral pledged or received in the form of cash is recognized in financial assets or liabilities in the Consolidated Balance Sheet.

When the collateral is pledged or received in the form of cash, the interest income and expense are recorded in *Net interest income* in the Consolidated Statement of Income.

Loans

Loans Measured at Amortized Cost

Loans classified as measured at amortized cost include loans originated or purchased by the Bank that are not classified as measured at fair value through profit or loss or designated at fair value through profit or loss. These loans are held within a business model whose objective is to collect contractual cash flows, i.e., cash flows that are solely payments of principal and interest on the principal amount outstanding. All loans originated by the Bank are recognized when cash is advanced to a borrower. Purchased loans are recognized when the cash consideration is paid by the Bank.

All loans are initially recognized at fair value plus directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method, net of allowances for expected credit losses. For purchased performing loans, the acquisition date fair value adjustment on each loan is amortized to interest income over the expected remaining life of the loan using the effective interest rate method. For purchased credit-impaired loans, the acquisition date fair value adjustment on each loan consists of management's estimate of the shortfall of principal and interest cash flows that the Bank expects to collect and of the time value of money. The time value of money component of the fair value adjustment is amortized to interest income over the remaining life of the loan using the effective interest rate method. Loans are presented net of allowances for credit losses in the Consolidated Balance Sheet.

Loans Measured at Fair Value Through Profit or Loss

Loans classified as measured at fair value through profit or loss, loans designated at fair value through profit or loss, and loans for which the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding are recognized at fair value in the Consolidated Balance Sheet. The interest income on loans at fair value through profit or loss is recorded in *Interest income* in the Consolidated Statement of Income.

Changes in the fair value of loans classified as at fair value through profit or loss and loans designated at fair value through profit or loss are recognized in *Non-interest income – Trading revenues (losses*) in the Consolidated Statement of Income. With respect to loans whose contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, changes in fair value are recognized in *Non-interest income – Other* in the Consolidated Statement of Income.

Reclassification of Financial Assets

A financial asset, other than a derivative financial instrument or a financial asset that, at initial recognition, was designated as measured at fair value through profit or loss, is reclassified only in rare situations, i.e., when there is a change in the business model used to manage the financial asset. The reclassification is applied prospectively from the reclassification date.

Establishing Fair Value

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price).

Unadjusted quoted prices in active markets, based on bid prices for financial assets and offered prices for financial liabilities, provide the best evidence of fair value. A financial instrument is considered quoted in an active market when prices in exchange, dealer, broker or principal-to-principal markets are accessible at the measurement date. An active market is one where transactions occur with sufficient frequency and volume to provide quoted prices on an ongoing basis.

When there is no quoted price in an active market, the Bank uses another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider when pricing a transaction. Judgment is required when applying a large number of acceptable valuation techniques and estimates to determine fair value. The estimated fair value reflects market conditions on the valuation date and, consequently, may not be indicative of future fair value.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration received or paid. If there is a difference between the fair value at initial recognition and the transaction price, and the fair value is determined using a valuation technique based on observable market inputs or, in the case of a derivative, if the risks are fully offset by other contracts entered into with third parties, this difference is recognized in the Consolidated Statement of Income. In other cases, the difference between the fair value at initial recognition and the transaction price is deferred in the Consolidated Balance Sheet. The amount of the deferred gain or loss is recognized over the term of the financial instrument. The unamortized balance is immediately recognized in net income when (i) observable market inputs can be obtained and support the fair value of the transaction, (ii) the risks associated with the initial contract are substantially offset by other contracts entered into with third parties, (iii) the gain or loss is realized through a cash receipt or payment, or (iv) the transaction matures or is terminated before maturity.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

In certain cases, measurement adjustments are recognized to address factors that market participants would use at the measurement date to determine fair value but that are not included in the measurement techniques due to system limitations or uncertainty surrounding the measure. These factors include, but are not limited to, the unobservable nature of the inputs used in the valuation model, assumptions about risk such as market risk, credit risk, or valuation model risk, and future administration costs. The Bank may also consider market liquidity risk when determining the fair value of financial instruments when it believes these instruments could be disposed of for a consideration that is below the fair value otherwise determined due to a lack of market liquidity or an insufficient volume of transactions in a given market. The measurement adjustments also include the funding valuation adjustment applied to derivative financial instruments to reflect the market implied cost or benefits of funding collateral for uncollateralized or partly collateralized transactions.

As permitted when certain criteria are met, the Bank has elected to determine fair value based on net exposure to credit risk or market risk for certain portfolios of financial instruments, mainly derivative financial instruments.

Impairment of Financial Assets

At the end of each reporting period, the Bank applies a three-stage impairment approach to measure the expected credit losses (ECL) on all debt instruments measured at amortized cost or at fair value through other comprehensive income and on loan commitments and financial guarantees that are not measured at fair value. The ECL model is forward looking. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and future economic conditions.

Determining the Stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, in an amount equal to 12-month expected credit losses, is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, in an amount equal to lifetime expected credit losses, is recorded. In subsequent reporting periods, if the credit risk of a financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e., recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset occurs, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected credit losses continues to be recorded or the financial asset is written off. Interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Assessment of Significant Increase in Credit Risk

In determining whether credit risk has increased significantly, the Bank uses an internal credit risk grading system, external risk ratings, and forward-looking information to assess deterioration in the credit quality of a financial instrument. To assess whether or not the credit risk of a financial instrument has increased significantly, the Bank compares the probability of default (PD) occurring over its expected life as at the reporting date with the PD occurring over its expected life on the date of initial recognition and considers reasonable and supportable information indicative of a significant increase in credit risk since initial recognition. The Bank includes relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are more than 30 days past due since initial recognition are migrated to Stage 2 even if other metrics do not indicate that a significant increase in credit risk has occurred. The assessment of a significant increase in credit risk requires significant judgment.

Measurement of Expected Credit Losses

ECLs are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, and reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. Cash shortfalls represent the difference between all contractual cash flows owed to the Bank and all cash flows that the Bank expects to receive.

The measurement of ECLs is primarily based on the product of the financial instrument's PD, loss given default (LGD), and exposure at default (EAD). Forward-looking macroeconomic factors such as unemployment rates, housing price indices, interest rates, and gross domestic product (GDP) are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The Bank incorporates three forward-looking macroeconomic scenarios in its ECL calculation process: a base scenario, an upside scenario, and a downside scenario. Probability weights are assigned to each scenario. The scenarios and probability weights are reassessed quarterly and subject to management review. The Bank applies experienced credit judgment to adjust the modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modelling process.

ECLs for all financial instruments are recognized in *Provisions for credit losses* in the Consolidated Statement of Income. In the case of debt instruments measured at fair value through other comprehensive income, ECLs are recognized in *Provisions for credit losses* in the Consolidated Statement of Income, and a corresponding amount is recognized in *Other comprehensive income* with no reduction in the carrying amount of the asset in the Consolidated Balance Sheet. As for debt instruments measured at amortized cost, they are presented net of the related allowances for credit losses in the Consolidated Balance Sheet. Allowances for credit losses for off-balance-sheet credit exposures that are not measured at fair value are included in *Other liabilities* in the Consolidated Balance Sheet.

Purchased or Originated Credit-Impaired Financial Assets

On initial recognition of a financial asset, the Bank determines whether the asset is credit-impaired. For financial assets that are credit-impaired upon purchase or origination, the lifetime expected credit losses are reflected in the initial fair value. In subsequent reporting periods, the Bank recognizes only the cumulative changes in these lifetime ECLs since initial recognition as an allowance for credit losses. The Bank recognizes changes in ECLs under *Provisions for credit losses* in the Consolidated Statement of Income, even if the lifetime ECLs are less than the ECLs that were included in the estimated cash flows on initial recognition.

Definition of Default

The definition of default used by the Bank to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Bank considers a financial asset, other than a credit card receivable, to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. Credit card receivables are considered credit-impaired and are fully written off at the earlier of the following dates: when a notice of bankruptcy is received, a settlement proposal is made, or contractual payments are 180 days past due.

Write-Offs

A financial asset and its related allowance for credit losses are normally written off in whole or in part when the Bank considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Bank have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered.

Derecognition of Financial Assets and Securitization

A financial asset is considered for derecognition when the Bank has transferred contractual rights to receive the cash flows or assumed an obligation to transfer these cash flows to a third party. The Bank derecognizes a financial asset when it considers that substantially all the risks and rewards of ownership of the asset have been transferred or when the contractual rights to the cash flows of the financial asset expire. When the Bank considers that it has retained substantially all the risks and rewards of ownership of the transferred asset, it continues to recognize the financial asset and, if applicable, recognizes a financial liability in the Consolidated Balance Sheet. If, due to a derivative financial instrument, the transfer of a financial asset does not result in derecognition, the derivative financial instrument is not recognized in the Consolidated Balance Sheet.

When the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset it no longer controls. Any rights and obligations retained following the asset transfer are recognized separately as an asset or liability. If the Bank retains control of the financial asset, it continues to recognize the asset to the extent of its continuing involvement in that asset, i.e., the extent to which it is exposed to changes in the value of the transferred asset.

To diversify its funding sources, the Bank participates in two Canada Mortgage and Housing Corporation (CMHC) securitization programs: the Mortgage-Backed Securities Program under the *National Housing Act* (Canada) (NHA) and Canada Mortgage Bond (CMB) program. Under the first program, the Bank issues NHA securities backed by insured residential mortgages and, under the second, the Bank sells NHA securities to Canada Housing Trust (CHT). As part of these transactions, the Bank retains substantially all the risks and rewards related to ownership of the mortgage loans sold. Therefore, the insured mortgage loans securitized under the CMB program continue to be recognized in *Loans* in the Bank's Consolidated Balance Sheet, and the liabilities for the considerations received from the transfer are recognized in *Liabilities related to transferred receivables* in the Consolidated Balance Sheet. Moreover, insured mortgage loans securitized and retained by the Bank continue to be recognized in *Loans* in the Consolidated Balance Sheet.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires. The difference between the carrying value of the financial liability transferred and the consideration paid is recognized in the Consolidated Statement of Income.

Cash and Deposits With Financial Institutions

Cash and deposits with financial institutions consist of cash and cash equivalents, amounts pledged as collateral as well as amounts placed in escrow. Cash and cash equivalents consist of cash, bank notes, deposits with the Bank of Canada and other financial institutions, including net receivables related to cheques, and other items in the clearing process.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

Acceptances and Customers' Liability Under Acceptances

The potential liability of the Bank under acceptances is recorded as a customer commitment liability in the Consolidated Balance Sheet. The Bank's potential recourse vis-à-vis clients is recorded as an equivalent offsetting asset. Fees are recorded in *Non-interest income* in the Consolidated Statement of Income.

Obligations Related to Securities Sold Short

This financial liability represents the Bank's obligation to deliver the securities it sold but did not own at the time of sale. Obligations related to securities sold short are recorded at fair value and presented as liabilities in the Consolidated Balance Sheet. Realized and unrealized gains and losses are recognized in *Non-interest income* in the Consolidated Statement of Income.

Derivative Financial Instruments

In the normal course of business, the Bank uses derivative financial instruments to meet the needs of its clients, to generate trading activity revenues, and to manage its exposure to interest rate risk, foreign exchange risk, credit risk, and other market risks.

All derivative financial instruments are measured at fair value in the Consolidated Balance Sheet. Derivative financial instruments with a positive fair value are included in assets, whereas derivative financial instruments with a negative fair value are included in liabilities in the Consolidated Balance Sheet. Where there are offsetting financial assets and financial liabilities, the net fair value of certain derivative financial instruments is reported either as an asset or as a liability, depending on the circumstance.

Embedded Derivative Financial Instruments

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, the effect being that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to one of the parties to the contract.

A derivative embedded in a financial liability is separated from the host contract and treated as a separate derivative if, and only if, the following three conditions are met: the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative is a separate instrument that meets the definition of a derivative financial instrument, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives that are separately accounted for are measured at fair value in the Consolidated Balance Sheet, and subsequent changes in fair value are recognized in *Non-interest income* in the Consolidated Statement of Income.

All embedded derivatives are presented on a combined basis with the host contract.

Held-for-Trading Derivative Financial Instruments

Derivative financial instruments are recognized at fair value, and the realized and unrealized gains and losses (including interest income and expense) are recorded in *Non-interest income* in the Consolidated Statement of Income.

Derivative Financial Instruments Designated as Hedging Instruments

Policy

The purpose of a hedging transaction is to modify the Bank's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging instrument. Hedge accounting ensures that offsetting gains, losses, revenues and expenses are recognized in the Consolidated Statement of Income in the same period or periods.

Documenting and Assessing Effectiveness

The Bank designates and formally documents each hedging relationship, at its inception, by detailing the risk management objective and the hedging strategy. The documentation identifies the specific asset, liability, or cash flows being hedged, the related hedging instrument, the nature of the specific risk exposure or exposures being hedged, the intended term of the hedging relationship, and the method for assessing the effectiveness or ineffectiveness of the hedging relationship. At the inception of the hedging relationship, and for every financial reporting period for which the hedge has been designated, the Bank ensures that the hedging relationship is highly effective and consistent with its originally documented risk management objective and strategy. When a hedging relationship meets the hedge accounting requirements, it is designated as either a fair value hedge, a cash flow hedge or a foreign exchange hedge of a net investment in a foreign operation.

Interest Rate Benchmark Reform

A hedging relationship is directly affected by interest rate benchmark reform such as interbank offered rates (IBORs) only if the reform gives rise to uncertainties about (a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or (b) the timing or the amount of the interest-rate-benchmark-based cash flows of the hedged item or of the hedging instrument.

For such hedging relationships, the following temporary exceptions apply during the period of uncertainty:

- when determining whether a forecast transaction is highly probable or expected to occur, it is assumed that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform;
- when assessing whether a hedge is expected to be highly effective, it is assumed that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform;
- a hedge is not required to be discontinued if the actual results of the hedge are outside an effectiveness range of 80% to 125% as a result of interest rate benchmark reform;
- for a hedge of a non-contractually specified benchmark portion of interest rate risk, the requirement that the designated portion be separately identifiable need only be met at the inception of the hedging relationship.

Fair Value Hedges

For fair value hedges, the Bank mainly uses interest rate swaps to hedge changes in the fair value of a hedged item. The carrying amount of the hedged item is adjusted based on the effective portion of the gains or losses attributable to the hedged risk, which are recognized in the Consolidated Statement of Income, as well as the change in the fair value of the hedging instrument. The resulting ineffective portion is recognized in *Non-interest income* in the Consolidated Statement of Income.

The Bank prospectively discontinues hedge accounting if the hedging instrument is sold or expires or if the hedging relationship no longer qualifies for hedge accounting or if the Bank revokes the designation. When the designation is revoked, the hedged item is no longer adjusted to reflect changes in fair value, and the amounts previously recorded as cumulative adjustments with respect to the effective portion of gains and losses attributable to the hedged risk are amortized using the effective interest rate method and recognized in the Consolidated Statement of Income over the remaining useful life of the hedged item. If the hedged item is sold or terminated before maturity, the cumulative adjustments with respect to the effective portion of gains and losses attributable to the hedged risk are immediately recorded in the Consolidated Statement of Income.

Cash Flow Hedges

For cash flow hedges, the Bank mainly uses interest rate swaps and total return swaps to hedge variable cash flows attributable to the hedged risk related to a financial asset or liability (or to a group of financial assets or financial liabilities). The effective portion of changes in fair value of the hedging instrument is recognized in *Other comprehensive income*, whereas the ineffective portion is recognized in *Non-interest income* in the Consolidated Statement of Income.

The amounts previously recorded in *Accumulated other comprehensive income* are reclassified to the Consolidated Statement of Income of the period or periods during which the cash flows of the hedged item affect the Consolidated Statement of Income. If the hedging instrument is sold or expires or if the hedging relationship no longer qualifies for hedge accounting or if the Bank cancels that designation, then the amounts previously recognized in *Accumulated other comprehensive income* are reclassified to the Consolidated Statement of Income in the period or periods during which the cash flows of the hedged item affect the Consolidated Statement of Income.

Hedges of Net Investments in Foreign Operations

Derivative and non-derivative financial instruments are used to hedge foreign exchange risk related to investments made in foreign operations whose functional currency is not the Canadian dollar. The effective portion of the gains and losses on the hedging instrument is recognized in *Other comprehensive income*, whereas the ineffective portion is recognized in *Non-interest income* in the Consolidated Statement of Income. Upon the total or partial sale of a net investment in a foreign operation, amounts reported under *Accumulated other comprehensive income* are reclassified, in whole or in part, to *Non-interest income* in the Consolidated Statement of Income.

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Balance Sheet when the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

Premises and Equipment

Premises and equipment, except for land and the portion under construction of the head office building, are recognized at cost less accumulated depreciation and accumulated impairment losses, if any. Land and the portion under construction of the head office building are recorded at cost less any accumulated impairment losses. Right-of-use assets are presented in *Premises and equipment* in the Consolidated Balance Sheet. For additional information about the accounting treatment of right-of-use assets, see the Leases section presented below.

Buildings, computer equipment, and equipment and furniture are systematically depreciated over their estimated useful lives. The depreciation period for leasehold improvements is the lesser of the estimated useful life of the leasehold improvements or the non-cancellable period of the lease. Depreciation methods and estimated useful lives are reviewed annually. The depreciation expense is recorded in *Non-interest expenses* in the Consolidated Statement of Income.

	Method	Useful life
Significant components of the head office building		
Interior design	Straight-line	10-20 years
Exterior design, roofing and electromechanical system	Straight-line	30 years
Structure	Straight-line	75 years
Other buildings	5% declining balance	
Computer equipment	Straight-line	3-7 years
Equipment and furniture	Straight-line	8 years
Leasehold improvements	Straight-line	(1)

(1) The depreciation period is the lesser of the estimated useful life or the lease term.

Leases

At the inception date of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When the Bank is a lessee, it recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date except for short-term leases (defined as leases with terms of 12 months or less) other than real estate leases and leases for which the underlying asset is of low value. For such leases, the Bank recognizes the lease payments under *Non-interest expenses* in the Consolidated Statement of Income on a straight-line basis over the lease term. As a practical expedient, the Bank elected, for real estate leases, not to separate non-lease components from lease components and instead account for them as a single lease component. When the Bank is the lessor, the leased assets remain in the Consolidated Balance Sheet and are reported under *Premises and equipment*, and the rental income is recognized net of related expenses under *Non-interest income* in the Consolidated Statement of Income.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for certain remeasurements of lease liabilities. The cost of a right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred when entering into the lease, and an estimate of costs to dismantle the asset or restore the site, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset. Right-of-use assets are presented in *Premises and equipment* in the Consolidated Balance Sheet. The depreciation expense and impairment losses, if any, are recorded in *Non-interest expenses* in the Consolidated Statement of Income.

The lease liability is initially measured at the present value of future lease payments net of lease incentives not yet received. The present value of lease payments is determined using the Bank's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. In determining the lease term, the Bank considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The lease term determined by the Bank comprises the non-cancellable period of lease contracts, the periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option. The Bank reassesses the lease term if a significant event or change in circumstances occurs and that is within its control. The Bank applies judgment to determine the lease term when the lease contains extension and termination options. Lease liabilities are presented under *Other liabilities* in the Consolidated Balance Sheet, and the interest expense is presented in *Interest expense – Other* in the Consolidated Statement of Income.

Goodwill

The Bank uses the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at the acquisition-date fair value, and the transaction costs related to the acquisition are expensed as incurred. When the Bank acquires control of a business, all of the identifiable assets and liabilities of the acquiree, including intangible assets, are recorded at fair value. The interests previously held in the acquiree are also measured at fair value. Goodwill represents the excess of the purchase consideration and all previously held interests over the fair value of the identifiable net assets of the acquiree. If the fair value of the identifiable net assets exceeds the purchase consideration and all previously held interests, the difference is immediately recognized in income as a gain on a bargain purchase.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Bank's ownership interest and can be initially measured at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The measurement basis is selected on a case-by-case basis. Following an acquisition, non-controlling interests consist of the value assigned to those interests at initial recognition plus the non-controlling interests' share of changes in equity since the date of the acquisition.

Intangible Assets

Intangible Assets With Finite Useful Lives

Software that is not part of a cloud computing arrangement and certain other intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses. These intangible assets are systematically amortized on a straight-line basis over their useful lives, which vary between four and ten years. The amortization expense is recorded in *Non-interest expenses* in the Consolidated Statement of Income.

Intangible Assets With Indefinite Useful Lives

The Bank's intangible assets with indefinite useful lives come from the acquisition of subsidiaries or groups of assets and consist of management contracts and a trademark. They are recognized at the acquisition-date fair value. The management contracts are for the management of open-ended funds. At the end of each reporting period, the Bank reviews the useful lives to determine whether facts and circumstances continue to support an indefinite useful life assessment. Intangible assets are deemed to have an indefinite useful life following an examination of all relevant factors, in particular: (a) the contracts do not have contractual maturities; (b) the stability of the business segment to which the intangible assets belong; (c) the Bank's capacity to control the future economic benefits of the intangible assets; and (d) the continued economic benefits generated by the intangible assets.

Impairment of Non-Financial Assets

Premises and equipment and intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. At the end of each reporting period, the Bank determines whether there is an indication that premises and equipment or intangible assets with finite useful lives may be impaired. Goodwill and intangible assets that are not available for use or that have indefinite useful lives are tested for impairment annually or more frequently if there is an indication that the asset might be impaired.

An asset is tested for impairment by comparing its carrying amount with its recoverable amount. The recoverable amount must be estimated for the individual asset. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs will be determined. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Bank uses judgment to identify CGUs.

An asset's recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or CGU. Value in use is the present value of expected future cash flows from the asset or CGU. The recoverable amount of the asset or CGU is determined using valuation models that consider various factors such as projected future cash flows, discount rates, and growth rates. The use of different estimates and assumptions in applying the impairment tests could have a significant impact on income.

Corporate assets, such as the head office building and computer equipment, do not generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. Therefore, the recoverable amount of an individual corporate asset cannot be determined unless management has decided to dispose of the asset. However, if there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and that recoverable amount is compared with the carrying amount of this CGU or group of CGUs.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

Goodwill is always tested for impairment at the level of a CGU or group of CGUs. For impairment testing purposes, from the acquisition date, goodwill resulting from a business combination must be allocated to the CGU or group of CGUs expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which goodwill is allocated must represent the lowest level for which the goodwill is monitored internally at the Bank and must not be larger than an operating segment. The allocation of goodwill to a CGU or group of CGUs involves management's judgment. If an impairment loss is to be recognized, the Bank does so by first reducing the carrying amount of goodwill allocated to the CGU or group of CGUs and then reducing the carrying amounts of the other assets of the CGU or group of CGUs in proportion to the carrying amount of each asset in the CGU or group of CGUs.

If the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognized in *Non-interest expenses* in the Consolidated Statement of Income. An impairment loss recognized in prior periods for an asset other than goodwill must be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognized. If this is the case, the carrying amount of the asset is increased, given that the impairment loss was reversed, but shall not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for this asset in previous years.

Provisions

Provisions are liabilities of uncertain timing and amount. A provision is recognized when the Bank has a present obligation (legal or constructive) arising from a past event, when it is probable that an outflow of economic resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated. Provisions are based on the Bank's best estimates of the economic resources required to settle the present obligation, given all relevant risks and uncertainties, and, when it is significant, the effect of the time value of money. Provisions are reviewed at the end of each reporting period. Provisions are presented in *Other liabilities* in the Consolidated Balance Sheet.

Interest Income and Expense

Interest income and expense, except for the interest income on securities classified as at fair value through profit or loss, are recognized in *Net interest income* and calculated using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash inflows and outflows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Bank estimates expected cash flows by considering all the contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets and financial assets that were not impaired upon their purchase or origination but became impaired thereafter. For purchased or originated credit-impaired financial assets, the Bank applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The credit-adjusted effective interest rate reflects expected credit losses. As for loans that have subsequently become credit-impaired, interest income is calculated by applying the effective interest rate to the net carrying amount (net of allowances for credit losses) rather than to the gross carrying amount.

Loan origination fees, including commitment, restructuring, and renegotiation fees, are considered an integral part of the yield earned on the loan. They are deferred and amortized using the effective interest rate method, and the amortization is recognized in *Interest income* over the term of the loan. Direct costs for originating a loan are netted against the loan origination fees. If it is likely that a commitment will result in a loan, commitment fees receive the same accounting treatment, i.e., they are deferred and amortized using the effective interest rate method and the amortization is recognized in *Interest income* over the term of the loan. Otherwise, they are recorded in *Non-interest income* over the term of the commitment.

Loan syndication fees are recorded in *Non-interest income* unless the yield on the loan retained by the Bank is less than that of other comparable lenders involved in the financing. In such cases, an appropriate portion of the fees is deferred and amortized using the effective interest rate method, and the amortization is recognized in *Interest income* over the term of the loan. Certain mortgage loan prepayment fees are recognized in *Interest income* in the Consolidated Statement of Income when earned.

Dividend Income

Dividends from an equity instrument are recognized under *Net interest income* in the Consolidated Statement of Income when the Bank's right to receive payment is established.

Fee and Commission Income

Fee and commission income is recognized when, or as, a performance obligation is satisfied, i.e., when control of a promised service is transferred to a customer and in an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for the service. The revenue may therefore be recognized at a point in time, upon completion of the service, or over time as services are provided.

The Bank must also determine whether its performance obligation is to provide the service itself or to arrange for another party to provide the service (in other words, whether the Bank is acting as a principal or agent). A principal may itself satisfy its performance obligation to provide the specified good or service or it may engage another party to satisfy some or all of the performance obligation on its behalf. A principal also has the primary responsibility for fulfilling the promise to provide the good or service to the customer and has discretion in establishing the price for the service. If the Bank is acting as a principal, revenue is recognized on a gross basis in an amount corresponding to the consideration to which the Bank expects to be entitled. If the Bank is acting as an agent, then revenue is recognized net of the service fees and other costs incurred in relation to the commission and fees earned.

Underwriting and Advisory Fees

Underwriting and advisory fees include underwriting fees, financial advisory fees, and loan syndication fees. These fees are mainly earned in the Financial Markets segment and are recognized at a point in time as revenue upon successful completion of the engagement. Financial advisory fees are fees earned for assisting customers with transactions related to mergers and acquisitions and financial restructurings. Loan syndication fees represent fees earned as the agent or lead lender responsible for structuring, arranging, and administering a loan syndication and are recorded in *Non-interest income* unless the yield on the loan retained by the Bank is less than that of other comparable lenders involved in the financing. In such cases, an appropriate portion of the fees is deferred and amortized using the effective interest rate method, and the amortization is recognized in *Interest income* over the term of the loan.

Securities Brokerage Commissions

Securities brokerage commissions are earned in the Wealth Management segment and are recognized when the transaction is executed.

Mutual Fund Revenues

Mutual fund revenues include management fees earned in the Wealth Management segment. Management fees are primarily calculated based on a fund's net asset value and are recorded in the period the services are performed.

Investment Management and Trust Service Fees

Investment management and trust service fees include management fees, trust service fees, and fees for other investment services provided to clients and earned in the Wealth Management segment. Generally, these fees are calculated using the balances of assets under administration and assets under management. Such fees are recognized in the period the service is performed.

Card Revenues

Card revenues are earned in the Personal and Commercial segment and include card fees such as annual and transactional fees as well as interchange fees. Interchange fees are recognized when a card transaction is settled. Card fees are recognized on the transaction date except for annual fees, which are recorded evenly throughout the year. Reward costs are recorded as a reduction to interchange fees.

Credit Fees and Deposit and Payment Service Charges

Credit fees and deposit and payment service charges are earned in the Personal and Commercial, Financial Markets, and U.S. Specialty Finance and International segments. Credit fees include commissions earned by providing services for loan commitments, financial guarantee contracts, bankers' acceptances, and letters of credit and guarantee, and they are generally recognized in income over the period the services are provided. Deposit and payment service charges include fees related to account maintenance activities and transaction-based service charges. Fees related to account maintenance activities are recognized in the period the services are provided, whereas transaction-based service charges are recognized when the transaction is executed.

Insurance Revenues

Insurance contracts, including reinsurance contracts, are arrangements under which one party accepts significant insurance risk by agreeing to compensate the policyholder if a specified uncertain future event that adversely affect the policyholder was to occur.

The Bank uses the General Measurement Model (GMM) to measure most of its insurance and reinsurance contracts based on the present value of estimates of the expected future cash flows necessary to fulfill the contracts, including an adjustment for non-financial risk as well as the contractual service margin (CSM), which represents the unearned profits that will be recognized as services are provided in the future. The Bank chose to apply the simplified approach (the Premium Allocation Approach or PAA) to measure insurance contracts with coverage periods of one year or less. The insurance revenues from these contracts are recognized systematically over the coverage period. For all measurement approaches, if contracts are expected to be onerous, losses are recognized immediately in the Consolidated Statement of Income.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

Upon the issuance of a contract, an insurance contract asset or liability and a reinsurance contract asset, if applicable, are recognized under *Other assets* and under *Other liabilities* in the Consolidated Balance Sheet. Subsequent changes in the carrying values of the insurance contract asset and liability and reinsurance contract asset are recognized on a net basis under *Non-interest income* in the Consolidated Statement of Income.

Insurance service expenses consist mainly of incurred claims and other insurance service expenses, amortization of insurance acquisition cash flows, and losses on onerous contracts as well as reversals of such losses. Royalties received from reinsurers are recognized in the Consolidated Statement of Income as the Bank receives services under groups of reinsurance contracts. Amounts recovered from reinsurers comprise cash flows related to the claims or benefit experience of the underlying contracts. All of these amounts are recognized as a deduction from insurance revenues under *Non-interest income* in the Consolidated Statement of Income.

Income Taxes

Income taxes include current taxes and deferred taxes and are recorded in net income except for income taxes generated by items recognized in *Other comprehensive income* or directly in equity.

Current tax is the amount of income tax payable on the taxable income for a period. It is calculated using the enacted or substantively enacted tax rates prevailing on the reporting date, and any adjustments recognized in the period for the current tax of prior periods. Current tax assets and liabilities are offset, and the net balance is presented under either *Other assets* or *Other liabilities* in the Consolidated Balance Sheet when the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to simultaneously realize the asset and settle the liability.

Deferred tax is established based on temporary differences between the carrying values and the tax bases of assets and liabilities, in accordance with enacted or substantively enacted income tax laws and rates that will apply on the date the differences reverse. Deferred tax is not recognized for temporary differences related to the following:

- the initial accounting of goodwill;
- the initial accounting of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting income nor taxable income;
- investments in subsidiaries, associates and joint ventures when it is probable that the temporary difference will not reverse in the foreseeable future and that the Bank controls the timing of the reversal of the temporary difference;
- investments in subsidiaries, associates and joint ventures when it is probable that the temporary difference will not reverse in the foreseeable future and that there will not be taxable income to which the temporary difference can be recognized.

Deferred tax assets are tax benefits in the form of deductions that the Bank may claim to reduce its taxable income in future years. At the end of each reporting period, the carrying amount of deferred tax assets is revised, and it is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are offset, and the net balance is presented under either *Other assets* or *Other liabilities* in the Consolidated Balance Sheet when the Bank has a legally enforceable right to set off the current tax assets and liabilities and if the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the same taxable entity or on different taxable entities that intend to settle current tax assets and liabilities based on their net amount.

The Bank makes assumptions to estimate income taxes as well as deferred tax assets and liabilities. This process involves estimating the actual amount of current taxes and evaluating tax loss carryforwards and temporary differences arising from differences between the values of items reported for accounting and for income tax purposes. Deferred tax assets and liabilities presented in the Consolidated Balance Sheet are calculated according to the tax rates to be applied in future periods. Previously recorded deferred tax assets and liabilities must be adjusted when the date of the future event is revised based on current information.

The Bank is subject to the jurisdictions of various tax authorities. In the normal course of its business, the Bank is involved in a number of transactions for which the tax impacts are uncertain. As a result, the Bank accounts for provisions for uncertain tax positions that adequately represent the tax risk stemming from tax matters under discussion or being audited by tax authorities or from other matters involving uncertainty. The amounts of these provisions reflect the best possible estimates of the amounts that may have to be paid based on qualitative assessments of all relevant factors. The provisions are estimated at the end of each reporting period. However, it is possible that, at a future date, a provision might need to be adjusted following an audit by the tax authorities. When the final assessment differs from the initially provisioned amounts, the difference will impact the income taxes of the period in which the assessment was made.

Financial Guarantee Contracts

A financial guarantee contract is a contract or indemnification agreement that could require the Bank to make specified payments (in cash, financial instruments, other assets, Bank shares, or provisions of services) to reimburse a beneficiary in the event of a loss resulting from a debtor defaulting on the original or amended terms of a debt instrument.

To reflect the fair value of an obligation assumed at the inception of a financial guarantee, a liability is recorded in *Other liabilities* in the Consolidated Balance Sheet. After initial recognition, the Bank must measure financial guarantee contracts at the higher of the allowance for credit losses, determined using the ECL model, and of the initially recognized amount less, where applicable, the cumulative amount of revenue recognized. This revenue is recognized in *Credit fees* in the Consolidated Statement of Income.

Employee Benefits – Pension Plans and Other Post-Employment Benefit Plans

The Bank offers pension plans that have a defined benefit component and a defined contribution component. The Bank also offers other post-employment benefit plans to eligible retirees. The other post-employment benefit plans include post-employment medical, dental, and life insurance coverage. The defined benefit component of the pension plans is funded, whereas the defined contribution component of the pension plans and of the other post-employment benefit plans are not funded.

Defined Benefit Component of the Pension Plans and Other Post-Employment Benefit Plans

Plan expenses and obligations are actuarially determined based on the projected benefit method prorated on service. The calculations incorporate management's best estimates of various actuarial assumptions such as discount rates, rates of compensation increase, health care cost trend rates, mortality rates, and retirement age.

The net asset or net liability related to these plans is calculated separately for each plan as the difference between the present value of the future benefits earned by employees for current and prior-period service and the fair value of plan assets. The net asset or net liability is included under either *Other assets* or *Other liabilities* in the Consolidated Balance Sheet.

The expense related to these plans consists of the following items: current service cost, net interest on the net plan asset or liability, administration costs, and past service cost, if any, recognized when a plan is amended. This expense is recognized in *Compensation and employee benefits* in the Consolidated Statement of Income. The net amount of interest income and expense is determined by applying a discount rate to the net plan asset or liability amount.

Remeasurements of defined benefit pension plans and other post-employment benefit plans represent actuarial gains and losses related to the defined benefit obligation and the actual return on plan assets, excluding net interest determined by applying a discount rate to the net plan asset or liability amount. Remeasurements are immediately recognized in *Other comprehensive income* and are not subsequently reclassified to net income; these cumulative gains and losses are reclassified to *Retained earnings.*

Defined Contribution Component of the Pension Plans

The expense for these plans is equivalent to the Bank's contributions during the period and is recognized in *Compensation and employee benefits* in the Consolidated Statement of Income.

Share-Based Payments

The Bank has several share-based compensation plans: the Stock Option Plan, the Stock Appreciation Rights (SAR) Plan, the Deferred Stock Unit (DSU) Plan, the Restricted Stock Unit (RSU) Plan, the Performance Stock Unit (PSU) Plan, the Deferred Compensation Plan (DCP) of National Bank Financial, and the Employee Share Ownership Plan.

Compensation expense is recognized over the service period required for employees to become fully entitled to the award. This period is generally the same as the vesting period, except where the required service period begins before the award date. Compensation expense related to awards granted to employees eligible to retire on the award date is immediately recognized on the award date. Compensation expense related to awards granted to employees who will become eligible to retire during the vesting period is recognized over the period from the award date to the date the employee becomes eligible to retire. For all of these plans, as of the first year of recognition, the expense includes cancellation and forfeiture estimates. These estimates are subsequently revised, as necessary. The Bank uses derivative financial instruments to hedge the risks associated with some of these plans. The compensation expense for these plans, net of related hedges, is recognized in the Consolidated Statement of Income.

Under the Stock Option Plan, the Bank uses the fair value method to account for stock options awarded. The options vest at 25% per year, and each tranche is treated as though it was a separate award. The fair value of each of the tranches is measured on the award date using the Black-Scholes model, and this fair value is recognized in *Compensation and employee benefits* and *Contributed surplus.* When the options are exercised, the *Contributed surplus* amount is credited to *Equity – Common shares* in the Consolidated Balance Sheet. The proceeds received from the employees when these options are exercised are also credited to *Equity – Common shares* in the Consolidated Balance Sheet.

Note 1 – Basis of Presentation and Summary of Material Accounting Policies (cont.)

SARs are recorded at fair value when awarded, and their fair value is remeasured at the end of each reporting period until they are exercised. The cost is recognized in *Compensation and employee benefits* in the Consolidated Statement of Income and under *Other liabilities* in the Consolidated Balance Sheet. The obligation that results from the change in fair value at each period is recognized in net income gradually over the vesting period, and periodically thereafter, until the SARs are exercised. When a SAR is exercised, the Bank makes a cash payment equal to the increase in the stock price since the date of the award.

The obligation that results from the award of a DSU, RSU, PSU and DCP unit is recognized in net income, and the corresponding amount is included in *Other liabilities* in the Consolidated Balance Sheet. For the DSU, RSU and DCP plans, the change in the obligation attributable to changes in the share price and dividends paid on the common shares of these plans is recognized in *Compensation and employee benefits* in the Consolidated Statement of Income for the period in which the changes occur. On the redemption date, the Bank makes a cash payment equal to the value of the common shares on that date. For the PSU Plan, the change in the obligation attributable to changes in the share price, adjusted upward or downward depending on the relative result of the performance criteria, and the change in the obligation attributable to dividends paid on the shares awarded under the plan, are recognized in *Compensation and employee benefits* in the Consolidated Statement of Income for the period in which the changes occur. On the redemption date, the Bank makes a cash payment equal to the value of the common shares on that date, adjusted upward or downward according to the performance criteria.

The Bank's contributions to the employee share ownership plan are expensed as incurred.

Note 2 – Accounting Policy Changes

On November 1, 2023, the Bank adopted IFRS 17 – *Insurance Contracts* (IFRS 17).

Impacts of IFRS 17 Adoption

The IFRS 17 requirements have been applied retrospectively by adjusting the Consolidated Balance Sheet balances on the date of initial application, i.e., November 1, 2022. The impacts of IFRS 17 adoption have been recognized through an adjustment to *Retained earnings* as at November 1, 2022. The following information presents the impacts on the Consolidated Balance Sheets as at November 1, 2022 and as at October 31, 2023:

Consolidated Balance Sheets

	As at October 31, 2023		As at October 31, 2023	As at October 31, 2022		As at November 1, 2022
	As reported	IFRS 17 adjustments	Adjusted	As reported	IFRS 17 adjustments	Adjusted
Assets						
Other assets	7,889	(101)	7,788	5,958	(50)	5,908
Liabilities						
Other liabilities	7,423	(7)	7,416	6,361	(2)	6,359
Equity						
Retained earnings	16,744	(94)	16,650	15,140	(48)	15,092

As at October 31, 2023, the net CSM amount related to the new recognition and measurement principles for insurance and reinsurance assets and liabilities had stood at $109 million ($89 million as at November 1, 2022).

The following information presents the impacts on the Consolidated Statement of Income for the comparative fiscal year:

Consolidated Statement of Income – Increase (Decrease)

	Year ended October 31, 2023
Non-interest income – Insurance revenues, net	(112)
Total revenues	(112)
Compensation and employee benefits	(27)
Occupancy	(3)
Technology	(7)
Professional fees	(1)
Other	(10)
Non-interest expenses	(48)
Income before provisions for credit losses and income taxes	(64)
Income before income taxes	(64)
Income taxes	(18)
Net income	(46)

Note 3 – Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The following standards have been issued but are not yet effective. The Bank is currently assessing the impact of applying these standards on the Consolidated Financial Statements.

Effective Date – November 1, 2026
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 affects certain provisions of IFRS 9 – *Financial Instruments* and IFRS 7 – *Financial Instruments: Disclosures*. Specifically, the amendments apply to the derecognition of financial liabilities settled through electronic transfer, to the classification of certain financial assets, to disclosures regarding equity instruments designated at fair value through other comprehensive income, and to contractual terms that could change the timing or amount of contractual cash flows. These amendments must be applied retrospectively for annual periods beginning on or after January 1, 2026. Earlier application is permitted.

Effective Date – November 1, 2027
IFRS 18 – *Presentation and Disclosure in Financial Statements*
In April 2024, the IASB issued a new accounting standard, IFRS 18 – *Presentation and Disclosure in Financial Statements* (IFRS 18). This new standard replaces the current IAS 1 accounting standard on presentation of financial statements. IFRS 18 presents a new accounting framework that will improve how information is communicated in financial statements, in particular performance-related information in the Consolidated Statement of Income, and that will introduce limited changes to the Consolidated Statement of Cash Flows and the Consolidated Balance Sheet. IFRS 18 must be applied retrospectively for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

Note 4 – Fair Value of Financial Instruments

Fair Value and Carrying Value of Financial Instruments by Category

Financial assets and financial liabilities are recognized in the Consolidated Balance Sheet at fair value or at amortized cost in accordance with the categories set out in the accounting framework for financial instruments.

								As at October 31, 2024
				Carrying value and fair value	Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Debt securities classified as at fair value through other comprehensive income	Equity securities designated at fair value through other comprehensive income	Financial instruments at amortized cost, net	Financial instruments at amortized cost, net	Total carrying value	Total fair value
Financial assets								
Cash and deposits with financial institutions	–	–	–	–	31,549	31,549	31,549	31,549
Securities	115,578	357	13,956	666	14,608	14,551	145,165	145,108
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	–	16,265	16,265	16,265	16,265
Loans, net of allowances	14,972	–	–	–	228,060	229,614	243,032	244,586
Other								
Derivative financial instruments	12,309	–	–	–	–	–	12,309	12,309
Other assets	2,059	–	–	–	3,674	3,674	5,733	5,733
Financial liabilities								
Deposits[1]	–	26,190			307,355	307,553	333,545	333,743
Other								
Obligations related to securities sold short	10,873	–			–	–	10,873	10,873
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			38,177	38,177	38,177	38,177
Derivative financial instruments	15,760	–			–	–	15,760	15,760
Liabilities related to transferred receivables	–	11,034			17,343	17,011	28,377	28,045
Other liabilities	–	–			4,114	4,114	4,114	4,114
Subordinated debt	–	–			1,258	1,296	1,258	1,296

[1] Includes embedded derivative financial instruments.

As at October 31, 2023[1]

				Carrying value and fair value	Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Debt securities classified as at fair value through other comprehensive income	Equity securities designated at fair value through other comprehensive income	Financial instruments at amortized cost, net	Financial instruments at amortized cost, net	Total carrying value	Total fair value
Financial assets								
Cash and deposits with financial institutions	–	–	–	–	35,234	35,234	35,234	35,234
Securities	99,236	758	8,583	659	12,582	12,097	121,818	121,333
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	–	11,260	11,260	11,260	11,260
Loans and acceptances, net of allowances	13,124	–	–	–	212,319	210,088	225,443	223,212
Other								
Derivative financial instruments	17,516	–	–	–	–	–	17,516	17,516
Other assets	73	–	–	–	4,285	4,285	4,358	4,358
Financial liabilities								
Deposits[2]	–	18,275			269,898	269,490	288,173	287,765
Other								
Acceptances	–	–			6,627	6,627	6,627	6,627
Obligations related to securities sold short	13,660	–			–	–	13,660	13,660
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			38,347	38,347	38,347	38,347
Derivative financial instruments	19,888	–			–	–	19,888	19,888
Liabilities related to transferred receivables	–	9,952			15,082	14,255	25,034	24,207
Other liabilities	–	–			3,497	3,494	3,497	3,494
Subordinated debt	–	–			748	727	748	727

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] Includes embedded derivative financial instruments.

Establishing Fair Value

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price).

Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Bank applies other valuation techniques that maximize the use of relevant observable inputs and that minimize the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates. Judgment is required when applying many of the valuation techniques. The Bank's valuation was based on its assessment of the conditions prevailing as at October 31, 2024 and may change in the future. Furthermore, there may be measurement uncertainty resulting from the choice of valuation model used.

Note 4 – Fair Value of Financial Instruments (cont.)

Valuation Governance

Fair value is established in accordance with a rigorous control framework. The Bank has policies and procedures that govern the process for determining fair value. These policies are documented and periodically reviewed by the Risk Management Group. All valuation models are validated, and controls have been implemented to ensure that they are applied.

The fair value of existing or new products is determined and validated by functions independent of the risk-taking team. Complex fair value matters are reviewed by valuation committees made up of experts from various specialized functions.

For financial instruments classified in Level 3 of the fair value hierarchy, the Bank has documented the hierarchy classification policies, and controls are in place to ensure that fair value is measured appropriately, reliably, and consistently. Valuation methods and the underlying assumptions are regularly reviewed.

Valuation Methods and Assumptions

Financial Instruments Whose Fair Value Equals Carrying Value

The carrying value of the following financial instruments is a reasonable approximation of fair value:

- cash and deposits with financial institutions;
- securities purchased under reverse repurchase agreements and securities borrowed;
- obligations related to securities sold under repurchase agreements and securities loaned;
- customers' liability under acceptances;
- acceptances;
- certain items of other assets and other liabilities.

Securities and Obligations Related to Securities Sold Short

These financial instruments, except for securities at amortized cost, are recognized at fair value in the Consolidated Balance Sheet. Their fair value is based on quoted prices in active markets, i.e., bid prices for financial assets and offered prices for financial liabilities. If there are no quoted prices in an active market, fair value is estimated using prices for securities that are substantially the same. If such prices are not available, fair value is determined using valuation techniques that incorporate assumptions based primarily on observable market inputs such as current market prices, the contractual prices of the underlying instruments, the time value of money, credit risk, interest rate yield curves, and currency rates.

When one or more significant inputs are not observable in the markets, fair value is established primarily using internal estimates and data that consider the valuation policies in effect at the Bank, economic conditions, the characteristics specific to the financial asset or liability, and other relevant factors.

Securities Issued or Guaranteed by Governments

Securities issued or guaranteed by governments include debt securities of the governments of Canada (federal, provincial and municipal) as well as debt securities of the U.S. government (U.S. Treasury), of other U.S. agencies, and of other foreign governments. Securities whose fair value is based on unadjusted quoted prices in active markets are classified in Level 1. For those classified in Level 2, quoted prices for identical or similar instruments in active markets are used to determine fair value. In the absence of an observable market, a valuation technique such as the discounted cash flow method could be used, incorporating assumptions on benchmark yields and the risk spreads of similar securities.

Equity Securities and Other Debt Securities

The fair value of equity securities is determined primarily by using quoted prices in active markets. For equity securities and other debt securities classified in Level 2, a valuation technique based on quoted prices of identical and similar instruments in an active market is used to determine fair value. In the absence of observable inputs, a valuation technique such as the discounted cash flow method could be used, incorporating assumptions on benchmark yields and the risk spreads of similar securities. For those classified in Level 3, fair value can be determined based on net asset value, which represents the estimated value of a security based on valuations received from investment or fund managers or the general partners of limited partnerships. Fair value can also be determined using internal valuation techniques adjusted to reflect financial instrument risk factors and economic conditions.

Derivative Financial Instruments

Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheet. For exchange-traded derivative financial instruments, fair value is based on quoted prices in an active market.

For over-the-counter (OTC) derivative financial instruments, fair value is determined using well established valuation techniques that incorporate assumptions based primarily on observable market inputs such as current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves, currency rates as well as price and rate volatility factors. In establishing the fair value of OTC derivative financial instruments, the Bank also incorporates the following factors:

Credit Valuation Adjustment (CVA)

The CVA is a valuation adjustment applied to derivative financial instruments to reflect the credit risk of the counterparty. For each counterparty, the CVA is based on the expected positive exposure and probabilities of default through time. The exposures are determined by using relevant factors such as current and potential future market values, master netting agreements, collateral agreements, and expected recovery rates. The default probabilities are inferred using credit default swap (CDS) spreads. When such information is unavailable, relevant proxies are used. While the general methodology currently assumes independence between expected positive exposures and probabilities of default, adjustments are applied to certain types of transactions where there is a direct link between the exposure at default and the default probabilities.

Funding Valuation Adjustment (FVA)

The FVA is a valuation adjustment applied to derivative financial instruments to reflect the market-implied cost or benefits of funding collateral for uncollateralized or partly collateralized transactions. The expected exposures are determined using methodologies consistent with the CVA framework. The funding level used to determine the FVA is based on the average funding level of relevant market participants.

When the valuation techniques incorporate one or more significant inputs that are not observable in the markets, the fair value of OTC derivative financial instruments is established primarily on the basis of internal estimates and data that consider the valuation policies in effect at the Bank, economic conditions, the characteristics specific to the financial asset or financial liability, and other relevant factors.

Loans

The fair value of fixed-rate mortgage loans is determined by discounting expected future contractual cash flows, adjusted for several factors, including prepayment options, current market interest rates for similar loans, and other relevant variables where applicable. The fair value of variable-rate mortgage loans is deemed to equal carrying value.

The fair value of other fixed-rate loans is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans. The fair value of other variable-rate loans is deemed to equal carrying value.

Deposits

The fair value of fixed-term deposits is determined primarily by discounting expected future contractual cash flows and considering several factors such as redemption options and market interest rates currently offered for financial instruments with similar conditions. For certain term funding instruments, fair value is determined using market prices for similar instruments. The fair value of demand deposits and notice deposits is deemed to equal carrying value.

The fair value of structured deposit notes is established using valuation models that maximize the use of observable inputs when available, such as benchmark indices, and also incorporates the Bank's own credit risk. In calculating the Bank's own credit risk, the market implied spreads of the Bank are used to infer its probabilities of default. Lastly, when fair value is determined using option pricing models, the valuation techniques are similar to those described for derivative financial instruments.

Liabilities Related to Transferred Receivables

These liabilities arise from sale transactions to Canada Housing Trust (CHT) of securities backed by insured residential mortgages and other securities under the Canada Mortgage Bond (CMB) program. These transactions do not qualify for derecognition. They are recorded as guaranteed borrowings, which results in the recording of liabilities in the Consolidated Balance Sheet. The fair value of these liabilities is established using valuation techniques based on observable market inputs such as Canada Mortgage Bond prices.

Note 4 – Fair Value of Financial Instruments (cont.)

Other Liabilities and Subordinated Debt
The fair value of these financial liabilities is based on quoted market prices in an active market. If there is no active market, fair value is determined by discounting contractual cash flows using the current market interest rates offered for similar financial instruments that have the same term to maturity.

Hierarchy of Fair Value Measurements

Determining the Levels of the Fair Value Measurement Hierarchy

IFRS Accounting Standards establish a fair value measurement hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. This fair value hierarchy requires observable market inputs to be used whenever such inputs exist. According to the hierarchy, the highest level of inputs are unadjusted quoted prices in active markets for identical instruments and the lowest level of inputs are unobservable inputs. In some cases, the inputs used to measure the fair value of a financial instrument might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The fair value measurement hierarchy has the following levels:

Level 1
Inputs corresponding to unadjusted quoted prices in active markets for identical assets and liabilities and accessible to the Bank at the measurement date. These instruments consist primarily of equity securities, derivative financial instruments traded in active markets, and certain highly liquid debt securities actively traded in over-the-counter markets.

Level 2
Valuation techniques based on inputs, other than the quoted prices included in Level 1 inputs, that are directly or indirectly observable in the market for the asset or liability. These inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market inputs by correlation or other means. These instruments consist primarily of certain loans, certain deposits, derivative financial instruments traded in over-the-counter markets, certain debt securities, certain equity securities whose value is not directly observable in an active market, certain other assets, liabilities related to transferred receivables, and certain other liabilities.

Level 3
Valuation techniques based on one or more significant inputs that are not observable in the market for the asset or liability. The Bank classifies financial instruments in Level 3 when the valuation technique is based on at least one significant input that is not observable in the markets. The valuation technique may also be partly based on observable market inputs.

Financial instruments whose fair values are classified in Level 3 consist of the following:

- financial instruments measured at fair value through profit or loss: investments in hedge funds for which there are certain restrictions on unit or security redemptions, equity securities and debt securities of private companies, as well as certain derivative financial instruments whose fair value is established using internal valuation models that are based on significant unobservable market inputs;
- securities at fair value through other comprehensive income: equity and debt securities of private companies;
- certain loans and certain deposits (structured deposit notes) whose fair value is established using internal valuation models that are based on significant unobservable market inputs;
- certain other assets (receivables) for which fair value is established using internal valuation models that are based on significant unobservable market inputs.

Transfers Between the Fair Value Hierarchy Levels

Transfers of financial instruments between Levels 1 and 2 and transfers to (or from) Level 3 are deemed to have taken place at the beginning of the quarter in which the transfer occurred. Significant transfers can occur between the fair value hierarchy levels due to new information on inputs used to determine fair value and the observable nature of those inputs.

During fiscal 2024, securities classified as at fair value through profit or loss of $20 million and obligations related to securities sold short of $1 million were transferred from Level 2 to Level 1 as a result of changing market conditions (securities classified as at fair value through profit or loss of $17 million and obligations related to securities sold short of $3 million in fiscal 2023). In addition, during fiscal 2024, securities classified as at fair value through profit or loss of $17 million and obligations related to securities sold short of $1 million were transferred from Level 1 to Level 2 as a result of changing market conditions (securities classified as at fair value through profit or loss of $15 million and obligations related to securities sold short of $3 million in fiscal 2023).

During fiscal 2024 and 2023, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs as a result of changing market conditions.

Financial Instruments Recorded at Fair Value in the Consolidated Balance Sheet

The following tables show financial instruments recorded at fair value in the Consolidated Balance Sheet according to the fair value hierarchy.

				As at October 31, 2024
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	4,150	10,330	–	14,480
Canadian provincial and municipal governments	–	8,473	–	8,473
U.S. Treasury, other U.S. agencies and other foreign governments	1,169	1,046	–	2,215
Other debt securities	–	3,030	60	3,090
Equity securities	85,414	1,655	608	87,677
	90,733	24,534	668	115,935
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	170	5,048	–	5,218
Canadian provincial and municipal governments	–	2,900	–	2,900
U.S. Treasury, other U.S. agencies and other foreign governments	4,805	186	–	4,991
Other debt securities	–	847	–	847
Equity securities	–	359	307	666
	4,975	9,340	307	14,622
Loans	–	14,767	205	14,972
Other				
Derivative financial instruments	1,139	11,073	97	12,309
Other assets – Other items	–	1,976	83	2,059
	96,847	61,690	1,360	159,897
Financial liabilities				
Deposits[1]	–	30,434	–	30,434
Other				
Obligations related to securities sold short	6,052	4,821	–	10,873
Derivative financial instruments	1,976	13,758	26	15,760
Liabilities related to transferred receivables	–	11,034	–	11,034
	8,028	60,047	26	68,101

[1] The amounts include the fair value of embedded derivative financial instruments in deposits.

Note 4 – Fair Value of Financial Instruments (cont.)

				As at October 31, 2023
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	6,403	10,872	–	17,275
Canadian provincial and municipal governments	–	8,260	–	8,260
U.S. Treasury, other U.S. agencies and other foreign governments	2,781	2,105	–	4,886
Other debt securities	–	3,450	65	3,515
Equity securities	65,018	554	486	66,058
	74,202	25,241	551	99,994
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	73	4,124	–	4,197
Canadian provincial and municipal governments	–	1,938	–	1,938
U.S. Treasury, other U.S. agencies and other foreign governments	904	254	–	1,158
Other debt securities	–	1,290	–	1,290
Equity securities	–	281	378	659
	977	7,887	378	9,242
Loans	–	12,907	217	13,124
Other				
Derivative financial instruments	285	17,224	7	17,516
Other assets – Other items	–	–	73	73
	75,464	63,259	1,226	139,949
Financial liabilities				
Deposits[1]	–	18,134	–	18,134
Other				
Obligations related to securities sold short	8,335	5,325	–	13,660
Derivative financial instruments	467	19,399	22	19,888
Liabilities related to transferred receivables	–	9,952	–	9,952
	8,802	52,810	22	61,634

[1] The amounts include the fair value of embedded derivative financial instruments in deposits.

Financial Instruments Classified in Level 3

The Bank classifies financial instruments in Level 3 when the valuation technique is based on at least one significant input that is not observable in the markets. The valuation technique may also be based, in part, on observable market inputs. The table on the following page shows the significant unobservable inputs used for the fair value measurements of financial instruments classified in Level 3 of the hierarchy.

As at October 31, 2024

	Fair value	Primary valuation techniques	Significant unobservable inputs	Range of input values	
				Low	**High**
Financial assets					
Securities					
Equity securities and other debt securities	975	Net asset value	Net asset value	100 %	100 %
		Market comparable	EV/EBITDA[1] multiple	13 x	17 x
		Discounted cash flows	Discount rate	5.50 %	13.20 %
Loans					
Loans at fair value through profit or loss	205	Discounted cash flows	Discount rate	7.31 %	14.50 %
		Discounted cash flows	Liquidity premium	3.53 %	10.62 %
Other					
Derivative financial instruments					
Equity contracts	96	Option pricing model	Long-term volatility	14 %	58 %
			Market correlation	(48) %	100 %
			Liquidity premium	8 %	12 %
Credit derivative contracts	1	Discounted cash flows	Credit spread	21 Bps[2]	60 Bps[2]
Other assets – Other items	83	Discounted cash flows	Discount rate	13 %	13 %
	1,360				
Financial liabilities					
Other					
Derivative financial instruments					
Interest rate contracts	1	Discounted cash flows	Discount rate	2.20 %	2.20 %
Equity contracts	22	Option pricing model	Long-term volatility	13 %	49 %
			Market correlation	(88) %	98 %
Credit derivative contracts	3	Discounted cash flows	Credit spread	21 Bps[2]	60 Bps[2]
	26				

As at October 31, 2023

	Fair value	Primary valuation techniques	Significant unobservable inputs	Range of input values	
				Low	High
Financial assets					
Securities					
Equity securities and other debt securities	929	Net asset value	Net asset value	100 %	100 %
		Market comparable	EV/EBITDA[1] multiple	11 x	14 x
		Discounted cash flows	Discount rate	6.50 %	15.10 %
Loans					
Loans at fair value through profit or loss	217	Discounted cash flows	Discount rate	8.08 %	15.99 %
		Discounted cash flows	Liquidity premium	3.57 %	11.32 %
Other					
Derivative financial instruments					
Equity contracts	5	Option pricing model	Long-term volatility	7 %	58 %
			Market correlation	15 %	94 %
Credit derivative contracts	2	Discounted cash flows	Credit spread	22 Bps[2]	91 Bps[2]
Other assets – Other items	73	Discounted cash flows	Discount rate	13 %	13 %
	1,226				
Financial liabilities					
Other					
Derivative financial instruments					
Interest rate contracts	5	Discounted cash flows	Discount rate	2.20 %	2.20 %
Equity contracts	16	Option pricing model	Long-term volatility	7 %	58 %
			Market correlation	(9) %	94 %
Credit derivative contracts	1	Discounted cash flows	Credit spread	22 Bps[2]	91 Bps[2]
	22				

[1] EV/EBITDA means Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization.
[2] Bps or basis point is a unit of measure equal to 0.01%.

Note 4 – Fair Value of Financial Instruments (cont.)

Significant Unobservable Inputs Used for Fair Value Measurements of Financial Instruments Classified in Level 3

Net Asset Value

Net asset value is the estimated value of a security based on valuations received from the investment or fund managers, the administrators of the conduits, or the general partners of limited partnerships. The net asset value of a fund is the total fair value of assets less liabilities.

EV/EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) Multiple and Price Equivalent

Private equity valuation inputs include earnings multiples, which are determined based on comparable companies, and a higher multiple will translate into a higher fair value. Price equivalent is a percentage of the market price based on the liquidity of the security.

Discount Rate

The discount rate is the input used to bring future cash flows to their present value. A higher discount rate will translate into a lower fair value.

Liquidity Premium

A liquidity premium may be applied when few or no transactions exist to support the valuations. A higher liquidity premium will result in a lower value.

Long-Term Volatility

Volatility is a measure of the expected future variability of market prices. Volatility is generally observable in the market through options prices. However, the long-term volatility of options with a longer maturity might not be observable. An increase (decrease) in long-term volatility is generally associated with an increase (decrease) in long-term correlation. Higher long-term volatility may increase or decrease an instrument’s fair value depending on its terms.

Market Correlation

Correlation is a measure of the inter-relationship between two different variables. A positive correlation means that the variables tend to move in the same direction; a negative correlation means that the variables tend to move in opposite directions. Correlation is used to measure financial instruments whose future returns depend on several variables. Changes in correlation will either increase or decrease a financial instrument’s fair value depending on the terms of its contractual payout.

Credit Spread

A credit spread (yield) is the difference between the instrument’s yield and a benchmark yield. Benchmark instruments have high credit quality ratings with similar maturities. The credit spread 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 credit quality in the estimated cash flows. A higher credit spread will result in a lower value.

Sensitivity Analysis of Financial Instruments Classified in Level 3

The Bank performs sensitivity analyses for the fair value measurements of Level 3 financial instruments, substituting unobservable inputs with one or more reasonably possible alternative assumptions.

For equity securities and other debt securities, the Bank varies significant unobservable inputs such as net asset values, EV/EBITDA multiples, or price equivalents and establishes a reasonable fair value range that could result in a $169 million increase or decrease in the fair value recorded as at October 31, 2024 (a $155 million increase or decrease as at October 31, 2023).

For loans, the Bank varies unobservable inputs such as a liquidity premium and establishes a reasonable fair value range that could result in a $26 million increase or decrease in the fair value recorded as at October 31, 2024 (a $25 million increase or decrease as at October 31, 2023).

For derivative financial instruments, the Bank varies long-term volatility, market correlation inputs, and credit spread and establishes a reasonable fair value range. As at October 31, 2024, for derivative financial instruments, the net fair value recorded could result in a $54 million increase or decrease (a $16 million increase or decrease as at October 31, 2023).

For other assets, the Bank varies unobservable inputs such as discount rates and establishes a reasonable fair value range that could result in a $3 million increase or decrease in the fair value recorded as at October 31, 2024 (a $9 million increase or decrease as at October 31, 2023).

For all Level 3 financial instruments, the reasonable fair value ranges could result in a 7% increase or decrease in net income as at October 31, 2024 (a 6% increase or decrease in net income as at October 31, 2023).

Change in the Fair Value of Financial Instruments Classified in Level 3

The Bank may hedge the fair value of financial instruments classified in the various levels through offsetting hedge positions. Gains and losses for financial instruments classified in Level 3 presented in the following tables do not reflect the inverse gains and losses on financial instruments used for economic hedging purposes that may have been classified in Level 1 or 2 by the Bank. In addition, the Bank may hedge the fair value of financial instruments classified in Level 3 using other financial instruments classified in Level 3. The effect of these hedges is not included in the net amount presented in the following tables. The gains and losses presented hereafter may comprise changes in fair value based on observable and unobservable inputs.

					Year ended October 31, 2024
	Securities at fair value through profit or loss	**Securities at fair value through other comprehensive income**	**Loans and other assets**	**Derivative financial instruments[1]**	**Deposits[2]**
Fair value as at October 31, 2023	**551**	**378**	**290**	**(15)**	**–**
Total realized and unrealized gains (losses) included in *Net income*[3]	**103**	**–**	**9**	**(107)**	**–**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**1**	**–**	**–**	**–**
Purchases	**135**	**–**	**–**	**–**	**–**
Sales	**(121)**	**(72)**	**(5)**	**–**	**–**
Issuances	**–**	**–**	**23**	**–**	**–**
Settlements and other	**–**	**–**	**(29)**	**191**	**–**
Financial instruments transferred into Level 3	**–**	**–**	**–**	**(3)**	**–**
Financial instruments transferred out of Level 3	**–**	**–**	**–**	**5**	**–**
Fair value as at October 31, 2024	**668**	**307**	**288**	**71**	**–**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at October 31, 2024[4]	**90**	**–**	**9**	**(107)**	**–**

					Year ended October 31, 2023
	Securities at fair value through profit or loss	Securities at fair value through other comprehensive income	Loans and other assets	Derivative financial instruments[1]	Deposits[2]
Fair value as at October 31, 2022	476	320	331	(17)	(8)
Total realized and unrealized gains (losses) included in *Net income*[5]	33	–	(4)	(15)	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	58	–	–	–
Purchases	62	–	–	–	–
Sales	(21)	–	(9)	–	–
Issuances	–	–	29	–	–
Settlements and other	–	–	(57)	7	–
Financial instruments transferred into Level 3	1	–	–	8	–
Financial instruments transferred out of Level 3	–	–	–	2	8
Fair value as at October 31, 2023	551	378	290	(15)	–
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at October 31, 2023[6]	62	–	(4)	(15)	–

[1] The derivative financial instruments include assets and liabilities presented on a net basis.
[2] The amounts include the fair value of embedded derivative financial instruments in deposits.
[3] Total gains (losses) included in *Non-interest income* was a gain of $5 million.
[4] Total unrealized gains (losses) included in *Non-interest income* was an unrealized loss of $8 million.
[5] Total gains (losses) included in *Non-interest income* was a gain of $14 million.
[6] Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $43 million.

Note 4 – Fair Value of Financial Instruments (cont.)

Financial Instruments Not Recorded at Fair Value in the Consolidated Balance Sheet

The following tables show the financial instruments that have not been recorded at fair value in the Consolidated Balance Sheet according to the fair value hierarchy, except for those whose carrying value is a reasonable approximation of fair value.

				As at October 31, 2024
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities at amortized cost				
Securities issued or guaranteed by				
Canadian government	–	9,217	–	9,217
Canadian provincial and municipal governments	–	2,400	–	2,400
U.S. Treasury, other U.S. agencies and other foreign governments	506	178	–	684
Other debt securities	–	2,250	–	2,250
	506	14,045	–	14,551
Loans, net of allowances	–	100,618	128,996	229,614
Financial liabilities				
Deposits	–	307,553	–	307,553
Other				
Liabilities related to transferred receivables	–	17,011	–	17,011
Other liabilities	–	49	–	49
Subordinated debt	–	1,296	–	1,296
	–	325,909	–	325,909

				As at October 31, 2023
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities at amortized cost				
Securities issued or guaranteed by				
Canadian government	–	5,935	–	5,935
Canadian provincial and municipal governments	–	1,772	–	1,772
U.S. Treasury, other U.S. agencies and other foreign governments	–	593	–	593
Other debt securities	–	3,797	–	3,797
	–	12,097	–	12,097
Loans, net of allowances	–	86,887	116,627	203,514
Financial liabilities				
Deposits	–	269,490	–	269,490
Other				
Liabilities related to transferred receivables	–	14,255	–	14,255
Other liabilities	–	46	–	46
Subordinated debt	–	727	–	727
	–	284,518	–	284,518

Note 5 – Financial Instruments Designated at Fair Value Through Profit or Loss

The Bank chose to designate certain financial instruments at fair value through profit or loss according to the criteria presented in Note 1 to these Consolidated Financial Statements. Consistent with its risk management strategy and in accordance with the fair value option, which permits the designation if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets and liabilities or recognizing the gains and losses thereon on different bases, the Bank designated certain securities and certain liabilities related to transferred receivables at fair value through profit or loss. The fair value of liabilities related to transferred receivables does not include credit risk, as the holders of these liabilities are not exposed to the Bank's credit risk. The Bank also designated certain deposits that include embedded derivative financial instruments at fair value through profit or loss.

To determine a change in fair value arising from a change in the credit risk of deposits designated at fair value through profit or loss, the Bank calculates, at the beginning of the period, the present value of the instrument's contractual cash flows using the following rates: first, an observed discount rate for similar securities that reflects the Bank's credit spread and, then, a rate that excludes the Bank's credit spread. The difference obtained between the two values is then compared to the difference obtained using the same rates at the end of the period.

Information about the financial assets and financial liabilities designated at fair value through profit or loss is provided in the following tables.

	Carrying value as at October 31, 2024	**Unrealized gains (losses) for the year ended October 31, 2024**	**Unrealized gains (losses) since the initial recognition of the instrument**
Financial assets designated at fair value through profit or loss			
Securities	**357**	**13**	**8**
Financial liabilities designated at fair value through profit or loss			
Deposits[(1)(2)]	**26,190**	**(2,526)**	**1,212**
Liabilities related to transferred receivables	**11,034**	**(213)**	**136**
	37,224	**(2,739)**	**1,348**

	Carrying value as at October 31, 2023	Unrealized gains (losses) for the year ended October 31, 2023	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	758	(5)	(12)
Financial liabilities designated at fair value through profit or loss			
Deposits[(1)(2)]	18,275	493	3,546
Liabilities related to transferred receivables	9,952	80	562
	28,227	573	4,108

[(1)] For the year ended October 31, 2024, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income*, resulted in a loss of $485 million (loss of $226 million for the year ended October 31, 2023).

[(2)] The amount at maturity that the Bank will be contractually required to pay to the holders of these deposits varies and will differ from the reporting date fair value.

Note 6 – Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Balance Sheet when the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Generally, over-the-counter derivative financial instruments subject to master netting agreements of the International Swaps & Derivatives Association, Inc. or other similar agreements do not meet the offsetting criteria in the Consolidated Balance Sheet, because the right of set-off is legally enforceable only in the event of default, insolvency, or bankruptcy.

Generally, securities purchased under reverse repurchase agreements and securities borrowed as well as obligations related to securities sold under repurchase agreements and securities loaned, subject to master agreements, do not meet the offsetting criteria if they confer only a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

However, the above-mentioned transactions may be subject to contractual netting agreements concluded with clearing houses. If the offsetting criteria are met, these transactions are netted in the Consolidated Balance Sheet. In addition, as part of these transactions, the Bank may pledge or receive cash or other financial instruments used as collateral.

The following tables present information on financial assets and financial liabilities that are netted in the Consolidated Balance Sheet, because they meet the offsetting criteria as well as information on those that are not netted and are subject to an enforceable master netting agreement or similar agreement.

As at October 31, 2024

				Associated amounts not set off in the Consolidated Balance Sheet		
	Gross amounts recognized	**Amounts set off in the Consolidated Balance Sheet**[1]	**Net amounts reported in the Consolidated Balance Sheet**	**Financial instruments**[2]	**Financial assets received/pledged as collateral**[3]	**Net amounts**
Financial assets						
Securities purchased under reverse repurchase agreements and securities borrowed	34,247	17,982	16,265	3,815	12,378	72
Derivative financial instruments	12,309	–	12,309	6,410	2,701	3,198
	46,556	17,982	28,574	10,225	15,079	3,270
Financial liabilities						
Obligations related to securities sold under repurchase agreements and securities loaned	56,159	17,982	38,177	3,815	34,309	53
Derivative financial instruments	15,760	–	15,760	6,410	5,256	4,094
	71,919	17,982	53,937	10,225	39,565	4,147

As at October 31, 2023

				Associated amounts not set off in the Consolidated Balance Sheet		
	Gross amounts recognized	Amounts set off in the Consolidated Balance Sheet[1]	Net amounts reported in the Consolidated Balance Sheet	Financial instruments[2]	Financial assets received/pledged as collateral[3]	Net amounts
Financial assets						
Securities purchased under reverse repurchase agreements and securities borrowed	20,344	9,084	11,260	2,538	8,649	73
Derivative financial instruments	35,404	17,888	17,516	8,032	7,065	2,419
	55,748	26,972	28,776	10,570	15,714	2,492
Financial liabilities						
Obligations related to securities sold under repurchase agreements and securities loaned	47,431	9,084	38,347	2,538	35,679	130
Derivative financial instruments	37,776	17,888	19,888	8,032	5,703	6,153
	85,207	26,972	58,235	10,570	41,382	6,283

[1] Comprises amounts that qualify for offsetting. Effective in fiscal 2024, certain derivative financial instruments cleared through a central counterparty were considered settled-to-market and not collaterized-to-market. Derivative financial instruments that are settled-to-market are settled on a daily basis, resulting in derecognition, rather than offsetting, of the related amounts.
[2] Carrying amount of financial instruments that are subject to an enforceable master netting agreement or similar agreement but that do not satisfy offsetting criteria.
[3] Excludes collateral in the form of non-financial instruments.

Note 7 – Securities

Residual Contractual Maturities of Securities

As at October 31					2024	2023
	1 year or less	Over 1 year to 5 years	Over 5 years	No specified maturity	Total	Total
Securities at fair value through profit or loss						
Securities issued or guaranteed by						
Canadian government	2,541	9,442	2,497	–	14,480	17,275
Canadian provincial and municipal governments	762	2,476	5,235	–	8,473	8,260
U.S. Treasury, other U.S. agencies and other foreign governments	203	845	1,167	–	2,215	4,886
Other debt securities	384	1,675	1,031	–	3,090	3,515
Equity securities	–	–	–	87,677	87,677	66,058
	3,890	14,438	9,930	87,677	115,935	99,994
Securities at fair value through other comprehensive income						
Securities issued or guaranteed by						
Canadian government	308	2,723	2,187	–	5,218	4,197
Canadian provincial and municipal governments	–	519	2,381	–	2,900	1,938
U.S. Treasury, other U.S. agencies and other foreign governments	–	4,951	40	–	4,991	1,158
Other debt securities	133	358	356	–	847	1,290
Equity securities	–	–	–	666	666	659
	441	8,551	4,964	666	14,622	9,242
Securities at amortized cost[1]						
Securities issued or guaranteed by						
Canadian government	1,139	8,055	–	–	9,194	6,172
Canadian provincial and municipal governments	371	595	1,492	–	2,458	1,932
U.S. Treasury, other U.S. agencies and other foreign governments	540	147	–	–	687	604
Other debt securities	1,043	1,121	105	–	2,269	3,874
	3,093	9,918	1,597	–	14,608	12,582

[1] As at October 31, 2024, securities at amortized cost are presented net of allowances for credit losses of $6 million ($4 million as at October 31, 2023).

Credit Quality

As at October 31, 2024 and 2023, securities at fair value through other comprehensive income and securities at amortized cost were mainly classified in Stage 1, with their credit quality falling mostly in the “Excellent” category according to the Bank’s internal risk-rating categories. For additional information on the reconciliation of allowances for credit losses, see Note 8 to these Consolidated Financial Statements.

Note 7 – Securities (cont.)

Unrealized Gross Gains (Losses) on Securities at Fair Value Through Other Comprehensive Income[1]

				As at October 31, 2024
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value[2]
Securities issued or guaranteed by				
Canadian government	5,166	96	(44)	5,218
Canadian provincial and municipal governments	2,894	45	(39)	2,900
U.S. Treasury, other U.S. agencies and other foreign governments	4,986	37	(32)	4,991
Other debt securities	888	3	(44)	847
Equity securities	591	77	(2)	666
	14,525	258	(161)	14,622

				As at October 31, 2023
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value[2]
Securities issued or guaranteed by				
Canadian government	4,406	1	(210)	4,197
Canadian provincial and municipal governments	2,110	–	(172)	1,938
U.S. Treasury, other U.S. agencies and other foreign governments	1,227	–	(69)	1,158
Other debt securities	1,423	–	(133)	1,290
Equity securities	616	66	(23)	659
	9,782	67	(607)	9,242

[1] Excludes the impact of hedging.

[2] The allowances for credit losses on securities at fair value through other comprehensive income (excluding equity securities), representing $3 million as at October 31, 2024 ($3 million as at October 31, 2023), are reported under *Other comprehensive income*. For additional information, see Note 8 to these Consolidated Financial Statements.

Equity Securities Designated at Fair Value Through Other Comprehensive Income

The Bank designated certain equity securities, the main business objective of which is to generate dividend income, at fair value through other comprehensive income without subsequent reclassification of gains and losses to net income. During the year ended October 31, 2024, a dividend income amount of $41 million was recognized for these investments ($33 million for the year ended October 31, 2023), including amounts of $7 million for investments that were sold during the year ended October 31, 2024 ($2 million for investments that were sold during the year ended October 31, 2023).

			Year ended October 31, 2024			Year ended October 31, 2023
	Equity securities of private companies	Equity securities of public companies	Total	Equity securities of private companies	Equity securities of public companies	Total
Fair value at beginning	378	281	659	320	236	556
Change in fair value	1	58	59	58	(5)	53
Designated at fair value through other comprehensive income[1]	–	253	253	–	314	314
Sales[2]	(72)	(233)	(305)	–	(264)	(264)
Fair value at end	307	359	666	378	281	659

[1] On May 2, 2023, the Bank had concluded that it had lost significant influence over TMX Group Limited (TMX) and therefore, as of this date, ceased using the equity method to account for this investment. The Bank had designated its investment in TMX as a financial asset measured at fair value through other comprehensive income in an amount of $191 million.

[2] The Bank disposed of private and public company equity securities for economic reasons.

Gains (Losses) on Disposals of Securities at Amortized Cost

During the years ended October 31, 2024 and 2023, the Bank disposed of certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $1,419 million for the year ended October 31, 2024 ($821 million for the year ended October 31, 2023), and the Bank recognized gains of $6 million for the year ended October 31, 2024 (negligible amount for the year ended October 31, 2023) under *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income.

Note 8 – Loans and Allowances for Credit Losses

Loans are recognized either at fair value through profit or loss or at amortized cost using the financial asset classification criteria defined in IFRS 9.

Determining and Measuring Expected Credit Losses (ECL)

Determining Expected Credit Losses
Expected credit losses are determined using a three-stage impairment approach that is based on the change in the credit quality of financial assets since initial recognition.

Non-impaired loans
Stage 1
Financial assets that have experienced no significant increase in credit risk between initial recognition and the reporting date, and for which 12-month expected credit losses are recorded at the reporting date, are classified in Stage 1.

Stage 2
Financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date, and for which lifetime expected credit losses are recorded at the reporting date, are classified in Stage 2.

Impaired loans
Stage 3
Financial assets for which there is objective evidence of impairment, for which one or more events have had a detrimental impact on the estimated future cash flows of these financial assets at the reporting date, and for which lifetime expected credit losses are recorded, are classified in Stage 3.

POCI
Financial assets that are credit-impaired when purchased or originated (POCI) are classified in the POCI category.

Impairment Governance
A rigorous control framework is applied to the determination of expected credit losses. The Bank has policies and procedures that govern impairments arising from credit risk. These policies are documented and periodically reviewed by the Risk Management Group. All models used to calculate expected credit losses are validated, and controls are in place to ensure they are applied.

These models are validated by groups that are independent of the team that prepares the calculations. Complex questions on measurement methodologies and assumptions are reviewed by a group of experts from various functions. Furthermore, the inputs and assumptions used to determine expected credit losses are regularly reviewed.

Measurement of Expected Credit Losses (ECL)
Expected credit losses are estimated using three main variables: (1) probability of default (PD), (2) loss given default (LGD) and (3) exposure at default (EAD). For accounting purposes, 12-month PD and lifetime PD are the probabilities of a default occurring over the next 12 months or over the life of a financial instrument, respectively, based on conditions existing at the balance sheet date and on future economic conditions that have, or will have, an impact on credit risk. LGD reflects the losses expected should default occur and considers such factors as the mitigating effects of collateral, the realizable value thereof, and the time value of money. EAD is the expected balance owing at default and considers such factors as repayments of principal and interest between the balance sheet date and the time of default as well as any amounts expected to be drawn on a committed facility. Twelve-month expected credit losses are estimated by multiplying 12-month PD by LGD and by EAD. Lifetime expected credit losses are estimated using the lifetime PD.

For most financial instruments, expected credit losses are measured on an individual basis. Financial instruments that have credit losses measured on a collective basis are grouped according to similar credit risk characteristics such as type of instrument, geographic location, comparable risk level, and business sector or industry.

Inputs, Assumptions and Estimation Techniques
The Bank's approach to calculating expected credit losses consists essentially of leveraging existing regulatory models and then adjusting their parameters for IFRS 9 purposes. These models have the advantage of having been thoroughly tested and validated. In addition, using the same base models, regardless of the purpose, provides consistency across risk assessments. These models use inputs, assumptions and estimation techniques that require a high degree of management judgment. The main factors that contribute to changes in ECL that are subject to significant judgment include the following:

- calibration of regulatory parameters in order to obtain point-in-time and forward-looking parameters;
- forecasts of macroeconomic variables for multiple scenarios and the probability weighting of the scenarios;
- determination of the significant increases in credit risk (SICR) of a loan.

Note 8 – Loans and Allowances for Credit Losses (cont.)

Main Parameters

PD Estimates

Since the objective of the regulatory calibration of PD is to align historical data to the long-run default rate, adjustments are required to obtain a point-in-time, forward-looking PD, as required by IFRS 9. The Bank performs the following: (1) A point-in-time calibration, where the PD of the portfolio is aligned with the appropriate default rate. The resulting PD estimate generally equals the prior-year default rate. The prior-year default rate is selected for the calibration performed at this stage, as it often reflects one of the most accurate and appropriate estimates of the current-year default rate; (2) Forward-looking adjustments are incorporated through, among other measures, a calibration factor based on forecasts produced by the stress testing team's analyses. The team considers three macroeconomic scenarios, and, for each scenario, produces a forward-looking assessment covering the three upcoming years.

LGD Estimates

The LGD estimation method consists of using, for each of the three macroeconomic scenarios, expected LGD based on the LGD values observed using backtesting, the economic LGD estimated and used to calculate economic capital, and lastly, the estimated downturn LGD used to calculate regulatory capital.

EAD Estimates

For term loans, the Bank uses expected EAD, which is the outstanding balance anticipated at each point in time. Expected EAD decreases over time according to contractual repayments and to prepayments. For revolving loans, the EAD percentage is based on the percentage estimated by the corresponding regulatory model and, thereafter, is converted to dollars according to the authorized balance.

Expected Life

For most financial instruments, the expected life used when measuring expected credit losses is the remaining contractual life. For revolving financial instruments where there is no contractual maturity, such as credit cards or lines of credit, the expected life is based on the behavioural life of clients who have defaulted or closed their account.

Incorporation of Forward-Looking Information

The Bank’s Economy and Strategy Group is responsible for developing three macroeconomic scenarios and for recommending probability weights for each scenario. Macroeconomic scenarios are not developed for specific portfolios, as the Economy and Strategy Group provides a set of variables for each of the defined scenarios for the next three years. The PDs are also adjusted to incorporate economic assumptions (interest rates, unemployment rates, GDP forecasts, oil prices, housing price indices, etc.) that can be statistically tied to PD changes that will have an impact beyond the next 12 months. These statistical relationships are determined using the processes developed for stress testing. In addition, the group considers other relevant factors that may not be adequately reflected in the information used to calculate the PDs (including late payments and whether the financial asset is subject to additional monitoring within the watchlist process for business and government loan portfolios).

Determination of a Significant Increase in the Credit Risk of a Financial Instrument

At each reporting period, the Bank determines whether credit risk has increased significantly since initial recognition by examining the change in the risk of default occurring over the remaining life of the financial instrument. First, the Bank compares the point-in-time forward-looking remaining lifetime PD at the reporting date with the expected point-in-time forward-looking remaining lifetime PD established at initial recognition. Based on this comparison, the Bank determines whether the loan has deteriorated when compared to the initial conditions. Because the comparison includes an adjustment based on origination-date forward-looking information and reporting-date forward-looking information, the deterioration may be caused by the following factors: (i) deterioration of the economic outlook used in the forward-looking assessment; (ii) deterioration of the borrower’s conditions (payment defaults, worsening financial ratios, etc.); or (iii) a combination of both factors. The quantitative criteria used to determine a significant increase in credit risk are a series of relative and absolute thresholds, and a backstop is also applied. All financial instruments that are over 30 days past due but below 90 days past due are migrated to Stage 2, even if the other criteria do not indicate a significant increase in credit risk.

Credit Quality of Loans

The following tables present the gross carrying amounts of loans as at October 31, 2024 and 2023, according to credit quality and ECL impairment stage of each loan category at amortized cost, and according to credit quality for loans at fair value through profit or loss. For additional information on credit quality according to the Internal Ratings-Based (IRB) categories, see the Internal Default Risk Ratings table on page 81 in the Credit Risk section of the MD&A for the year ended October 31, 2024.

						As at October 31, 2024
	Non-impaired loans		Impaired loans		Loans at fair value through profit or loss[1]	
	Stage 1	Stage 2	Stage 3	POCI		Total
Residential mortgage						
Excellent	33,651	16	–	–	–	33,667
Good	17,063	241	–	–	–	17,304
Satisfactory	12,634	4,209	–	–	–	16,843
Special mention	358	800	–	–	–	1,158
Substandard	70	300	–	–	–	370
Default	–	–	118	–	–	118
IRB Approach	63,776	5,566	118	–	–	69,460
Standardized Approach	11,350	266	494	247	13,192	25,549
Gross carrying amount	75,126	5,832	612	247	13,192	95,009
Allowances for credit losses[2]	62	85	137	(87)	–	197
Carrying amount	75,064	5,747	475	334	13,192	94,812
Personal						
Excellent	21,702	274	–	–	–	21,976
Good	6,686	1,618	–	–	–	8,304
Satisfactory	6,959	2,247	–	–	–	9,206
Special mention	2,111	845	–	–	–	2,956
Substandard	53	279	–	–	–	332
Default	–	–	226	–	–	226
IRB Approach	37,511	5,263	226	–	–	43,000
Standardized Approach	3,580	84	101	118	–	3,883
Gross carrying amount	41,091	5,347	327	118	–	46,883
Allowances for credit losses[2]	102	123	146	(11)	–	360
Carrying amount	40,989	5,224	181	129	–	46,523
Credit card						
Excellent	551	–	–	–	–	551
Good	399	–	–	–	–	399
Satisfactory	729	28	–	–	–	757
Special mention	484	211	–	–	–	695
Substandard	69	149	–	–	–	218
Default	–	–	–	–	–	–
IRB Approach	2,232	388	–	–	–	2,620
Standardized Approach	141	–	–	–	–	141
Gross carrying amount	2,373	388	–	–	–	2,761
Allowances for credit losses[2]	42	114	–	–	–	156
Carrying amount	2,331	274	–	–	–	2,605
Business and government						
Excellent	7,743	–	–	–	1,486	9,229
Good	27,950	7	–	–	53	28,010
Satisfactory	34,626	11,381	–	–	147	46,154
Special mention	255	1,770	–	–	–	2,025
Substandard	2	481	–	2	–	485
Default	–	–	555	10	–	565
IRB Approach	70,576	13,639	555	12	1,686	86,468
Standardized Approach	12,879	107	158	14	94	13,252
Gross carrying amount	83,455	13,746	713	26	1,780	99,720
Allowances for credit losses[2]	218	181	225	4	–	628
Carrying amount	83,237	13,565	488	22	1,780	99,092
Total loans						
Gross carrying amount	202,045	25,313	1,652	391	14,972	244,373
Allowances for credit losses[2]	424	503	508	(94)	–	1,341
Carrying amount	201,621	24,810	1,144	485	14,972	243,032

[1] Not subject to expected credit losses.

[2] The allowances for credit losses do not include the amounts related to undrawn commitments reported under *Other liabilities* in the Consolidated Balance Sheet.

Note 8 – Loans and Allowances for Credit Losses (cont.)

As at October 31, 2023

	Non-impaired loans		Impaired loans		Loans at fair value	
	Stage 1	Stage 2	Stage 3	POCI	through profit or loss[1]	Total
Residential mortgage						
Excellent	30,075	13	–	–	–	30,088
Good	17,008	247	–	–	–	17,255
Satisfactory	11,795	4,118	–	–	–	15,913
Special mention	318	773	–	–	–	1,091
Substandard	61	252	–	–	–	313
Default	–	–	66	–	–	66
IRB Approach	59,257	5,403	66	–	–	64,726
Standardized Approach	9,540	218	287	304	11,772	22,121
Gross carrying amount	68,797	5,621	353	304	11,772	86,847
Allowances for credit losses[2]	69	93	87	(95)	–	154
Carrying amount	68,728	5,528	266	399	11,772	86,693
Personal						
Excellent	21,338	120	–	–	–	21,458
Good	7,360	1,665	–	–	–	9,025
Satisfactory	6,497	2,240	–	–	–	8,737
Special mention	1,849	810	–	–	–	2,659
Substandard	29	224	–	–	–	253
Default	–	–	156	–	–	156
IRB Approach	37,073	5,059	156	–	–	42,288
Standardized Approach	3,713	79	71	207	–	4,070
Gross carrying amount	40,786	5,138	227	207	–	46,358
Allowances for credit losses[2]	91	108	87	(15)	–	271
Carrying amount	40,695	5,030	140	222	–	46,087
Credit card						
Excellent	641	–	–	–	–	641
Good	380	1	–	–	–	381
Satisfactory	752	68	–	–	–	820
Special mention	304	210	–	–	–	514
Substandard	37	86	–	–	–	123
Default	–	–	–	–	–	–
IRB Approach	2,114	365	–	–	–	2,479
Standardized Approach	124	–	–	–	–	124
Gross carrying amount	2,238	365	–	–	–	2,603
Allowances for credit losses[2]	33	106	–	–	–	139
Carrying amount	2,205	259	–	–	–	2,464
Business and government[3]						
Excellent	7,785	–	–	–	1,113	8,898
Good	28,525	16	–	–	53	28,594
Satisfactory	32,095	8,400	–	2	140	40,637
Special mention	215	1,790	–	–	–	2,005
Substandard	27	290	–	–	–	317
Default	–	–	397	–	–	397
IRB Approach	68,647	10,496	397	2	1,306	80,848
Standardized Approach	9,774	57	47	47	46	9,971
Gross carrying amount	78,421	10,553	444	49	1,352	90,819
Allowances for credit losses[2]	182	194	244	–	–	620
Carrying amount	78,239	10,359	200	49	1,352	90,199
Total loans and acceptances						
Gross carrying amount	190,242	21,677	1,024	560	13,124	226,627
Allowances for credit losses[2]	375	501	418	(110)	–	1,184
Carrying amount	189,867	21,176	606	670	13,124	225,443

[1] Not subject to expected credit losses.
[2] The allowances for credit losses do not include the amounts related to undrawn commitments reported under *Other liabilities* in the Consolidated Balance Sheet.
[3] Includes customers' liability under acceptances.

The following table presents the credit risk exposures of off-balance-sheet commitments as at October 31, 2024 and 2023 according to credit quality and ECL impairment stage.

As at October 31				2024				2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments[1]								
Retail								
Excellent	**16,159**	**113**	**–**	**16,272**	16,648	67	–	16,715
Good	**3,492**	**415**	**–**	**3,907**	3,485	467	–	3,952
Satisfactory	**1,095**	**249**	**–**	**1,344**	1,268	285	–	1,553
Special mention	**381**	**112**	**–**	**493**	239	93	–	332
Substandard	**30**	**35**	**–**	**65**	17	15	–	32
Default	**–**	**–**	**1**	**1**	–	–	2	2
Non-retail								
Excellent	**13,071**	**–**	**–**	**13,071**	14,117	–	–	14,117
Good	**22,547**	**–**	**–**	**22,547**	21,082	–	–	21,082
Satisfactory	**15,513**	**6,351**	**–**	**21,864**	12,258	4,354	–	16,612
Special mention	**24**	**278**	**–**	**302**	17	248	–	265
Substandard	**2**	**52**	**–**	**54**	19	33	–	52
Default	**–**	**–**	**27**	**27**	–	–	10	10
IRB Approach	**72,314**	**7,605**	**28**	**79,947**	69,150	5,562	12	74,724
Standardized Approach	**18,968**	**–**	**–**	**18,968**	18,172	–	–	18,172
Total exposure	**91,282**	**7,605**	**28**	**98,915**	87,322	5,562	12	92,896
Allowances for credit losses	**142**	**72**	**–**	**214**	116	60	–	176
Total exposure, net of allowances	**91,140**	**7,533**	**28**	**98,701**	87,206	5,502	12	92,720

[1] Represent letters of guarantee and documentary letters of credit, undrawn commitments, and backstop liquidity and credit enhancement facilities.

Loans Past Due But Not Impaired[1]

As at October 31				2024				2023
	Residential mortgage	**Personal**	**Credit card**	**Business and government**	Residential mortgage	Personal	Credit card	Business and government[2]
Past due but not impaired								
31 to 60 days	**179**	**121**	**30**	**76**	139	102	27	38
61 to 90 days	**82**	**48**	**14**	**33**	58	65	14	21
Over 90 days[3]	**–**	**–**	**35**	**–**	–	–	30	–
	261	**169**	**79**	**109**	197	167	71	59

[1] Loans less than 31 days past due are not presented as they are not considered past due from an administrative standpoint.
[2] Includes customers' liability under acceptances.
[3] All loans more than 90 days past due, except for credit card receivables, are considered impaired (Stage 3).

Note 8 – Loans and Allowances for Credit Losses (cont.)

Impaired Loans

As at October 31			2024			2023
	Gross	Allowances for credit losses	Net	Gross	Allowances for credit losses	Net
Loans – Stage 3						
Residential mortgage	**612**	**137**	**475**	353	87	266
Personal	**327**	**146**	**181**	227	87	140
Credit card[1]	**–**	**–**	**–**	–	–	–
Business and government[2]	**713**	**225**	**488**	444	244	200
	1,652	**508**	**1,144**	1,024	418	606
Loans – POCI	**391**	**(94)**	**485**	560	(110)	670
	2,043	**414**	**1,629**	1,584	308	1,276

(1) Credit card receivables are considered impaired, at the latest, when payment is 180 days past due, and they are written off at that time.
(2) Includes customers' liability under acceptances.

Maximum Exposure to Credit Risk of Impaired Loans

The following table presents the maximum exposure to credit risk of impaired loans, the percentage of exposure covered by guarantees, and the main types of collateral and guarantees held for each loan category.

As at October 31		2024		2023	
	Gross impaired loans	Percentage covered by guarantees[1]	Gross impaired loans	Percentage covered by guarantees[1]	Types of collateral and guarantees
Loans – Stage 3					
Residential mortgage	**612**	**95 %**	353	97 %	Residential buildings
Personal	**327**	**52 %**	227	59 %	Buildings, land and automobiles
Business and government[2]	**713**	**75 %**	444	51 %	Buildings, land, equipment, government and bank guarantees
Loans – POCI	**391**	**41 %**	560	36 %	Buildings and automobiles

(1) For gross impaired loans, the ratio is calculated on a weighted average basis using the estimated value of the collateral and guarantees held for each loan category presented. The value of the collateral and guarantees held for a specific loan may exceed the balance of the loan; when this is the case, the ratio presented is capped at 100%.
(2) Includes customers' liability under acceptances.

Allowances for Credit Losses

The following tables present a reconciliation of the allowances for credit losses by Consolidated Balance Sheet item and by type of off-balance-sheet commitment.

						Year ended October 31, 2024
	Allowances for credit losses as at October 31, 2023	**Provisions for credit losses**	**Write-offs[1]**	**Disposals**	**Recoveries and other**	**Allowances for credit losses as at October 31, 2024**
Balance sheet						
Cash and deposits with financial institutions[2][3]	10	(1)	–	–	–	9
Securities[3]						
At fair value through other comprehensive income[4]	3	–	–	–	–	3
At amortized cost[2]	4	2	–	–	–	6
Securities purchased under reverse repurchase agreements and securities borrowed[2][3]	–	–	–	–	–	–
Loans[5]						
Residential mortgage	154	46	(4)	(2)	3	197
Personal	271	198	(121)	–	12	360
Credit card	139	113	(111)	–	15	156
Business and government	567	226	(185)	–	20	628
Customers' liability under acceptances	53	(53)	–	–	–	–
	1,184	530	(421)	(2)	50	1,341
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	16	5	–	–	–	21
Undrawn commitments	152	36	–	–	–	188
Backstop liquidity and credit enhancement facilities	8	(3)	–	–	–	5
	176	38	–	–	–	214
	1,377	569	(421)	(2)	50	1,573

						Year ended October 31, 2023
	Allowances for credit losses as at October 31, 2022	Provisions for credit losses	Write-offs[1]	Disposals	Recoveries and other	Allowances for credit losses as at October 31, 2023
Balance sheet						
Cash and deposits with financial institutions[2][3]	5	5	–	–	–	10
Securities[3]						
At fair value through other comprehensive income[4]	2	1	–	–	–	3
At amortized cost[2]	7	(3)	–	–	–	4
Securities purchased under reverse repurchase agreements and securities borrowed[2][3]	–	–	–	–	–	–
Loans[5]						
Residential mortgage	118	36	(3)	–	3	154
Personal	239	114	(101)	–	19	271
Credit card	126	81	(83)	–	15	139
Business and government	418	150	(12)	–	11	567
Customers' liability under acceptances	54	(1)	–	–	–	53
	955	380	(199)	–	48	1,184
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	13	3	–	–	–	16
Undrawn commitments	143	9	–	–	–	152
Backstop liquidity and credit enhancement facilities	6	2	–	–	–	8
	162	14	–	–	–	176
	1,131	397	(199)	–	48	1,377

[1] The contractual amount outstanding on financial assets that were written off during the year ended October 31, 2024 and that are still subject to enforcement activity was $172 million ($118 million for the year ended October 31, 2023).

[2] These financial assets are presented net of the allowances for credit losses in the Consolidated Balance Sheet.

[3] As at October 31, 2024 and 2023, these financial assets were mainly classified in Stage 1 and their credit quality fell mostly within the *Excellent* category.

[4] The allowances for credit losses are reported under *Accumulated other comprehensive income* in the Consolidated Balance Sheet.

[5] The allowances for credit losses are reported under *Allowances for credit losses* in the Consolidated Balance Sheet.

[6] The allowances for credit losses are reported under *Other liabilities* in the Consolidated Balance Sheet.

Note 8 – Loans and Allowances for Credit Losses (cont.)

The following tables present the reconciliation of allowances for credit losses for each loan category at amortized cost according to ECL impairment stage.

Year ended October 31					2024					2023
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Residential mortgage										
Balance at beginning	69	93	87	(95)	154	53	80	61	(76)	118
Originations or purchases	13	–	–	–	13	18	–	–	–	18
Transfers[2]:										
to Stage 1	58	(50)	(8)	–	–	52	(48)	(4)	–	–
to Stage 2	(9)	28	(19)	–	–	(12)	30	(18)	–	–
to Stage 3	(1)	(26)	27	–	–	(2)	(33)	35	–	–
Net remeasurement of loss allowances[3]	(57)	59	54	8	64	(29)	65	21	(17)	40
Derecognitions[4]	(7)	(7)	(11)	–	(25)	(7)	(9)	(8)	–	(24)
Changes to models	(2)	(12)	8	–	(6)	(5)	7	–	–	2
Provisions for credit losses	(5)	(8)	51	8	46	15	12	26	(17)	36
Write-offs	–	–	(4)	–	(4)	–	–	(3)	–	(3)
Disposals	(2)	–	–	–	(2)	–	–	–	–	–
Recoveries	–	–	3	–	3	–	–	2	–	2
Foreign exchange movements and other	–	–	–	–	–	1	1	1	(2)	1
Balance at end	62	85	137	(87)	197	69	93	87	(95)	154
Includes:										
Amounts drawn	62	85	137	(87)	197	69	93	87	(95)	154
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance at beginning	95	114	87	(15)	281	70	117	75	(16)	246
Originations or purchases	36	–	–	–	36	47	–	–	–	47
Transfers[2]:										
to Stage 1	106	(96)	(10)	–	–	91	(82)	(9)	–	–
to Stage 2	(26)	33	(7)	–	–	(25)	30	(5)	–	–
to Stage 3	(1)	(74)	75	–	–	(2)	(88)	90	–	–
Net remeasurement of loss allowances[3]	(94)	165	113	4	188	(77)	152	23	1	99
Derecognitions[4]	(10)	(14)	(5)	–	(29)	(11)	(18)	(4)	–	(33)
Changes to models	–	(1)	3	–	2	1	3	–	–	4
Provisions for credit losses	11	13	169	4	197	24	(3)	95	1	117
Write-offs	–	–	(121)	–	(121)	–	–	(101)	–	(101)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	15	–	15	–	–	20	–	20
Foreign exchange movements and other	1	–	(4)	–	(3)	1	–	(2)	–	(1)
Balance at end	107	127	146	(11)	369	95	114	87	(15)	281
Includes:										
Amounts drawn	102	123	146	(11)	360	91	108	87	(15)	271
Undrawn commitments[5]	5	4	–	–	9	4	6	–	–	10

[1] No POCI loans were acquired during the year ended October 31, 2024 (the total amount of undiscounted initially expected credit losses on the POCI loans acquired during the year ended on October 31, 2023 was $93 million). The expected credit losses reflected in the purchase price have been discounted.
[2] Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
[3] Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
[4] Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
[5] The allowances for credit losses on undrawn commitments are reported under *Other liabilities* in the Consolidated Balance Sheet.

Year ended October 31					2024					2023
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Credit card										
Balance at beginning	59	127	–	–	186	53	112	–	–	165
Originations or purchases	12	–	–	–	12	11	–	–	–	11
Transfers[2]:										
to Stage 1	110	(110)	–	–	–	100	(100)	–	–	–
to Stage 2	(20)	20	–	–	–	(19)	19	–	–	–
to Stage 3	(1)	(46)	47	–	–	–	(35)	35	–	–
Net remeasurement of loss allowances[3]	(90)	147	49	–	106	(83)	133	33	–	83
Derecognitions[4]	(2)	(1)	–	–	(3)	(3)	(2)	–	–	(5)
Changes to models	2	4	–	–	6	–	–	–	–	–
Provisions for credit losses	11	14	96	–	121	6	15	68	–	89
Write-offs	–	–	(111)	–	(111)	–	–	(83)	–	(83)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	15	–	15	–	–	15	–	15
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	70	141	–	–	211	59	127	–	–	186
Includes:										
Amounts drawn	42	114	–	–	156	33	106	–	–	139
Undrawn commitments[5]	28	27	–	–	55	26	21	–	–	47
Business and government[6]										
Balance at beginning	251	220	244	–	715	177	195	197	–	569
Originations or purchases	135	–	–	–	135	93	–	–	–	93
Transfers[2]:										
to Stage 1	54	(52)	(2)	–	–	54	(54)	–	–	–
to Stage 2	(52)	60	(8)	–	–	(28)	36	(8)	–	–
to Stage 3	(1)	(10)	11	–	–	(1)	(6)	7	–	–
Net remeasurement of loss allowances[3]	(39)	28	168	(14)	143	(24)	79	61	(7)	109
Derecognitions[4]	(40)	(26)	(6)	–	(72)	(19)	(29)	(4)	–	(52)
Changes to models	–	(5)	1	–	(4)	(2)	(1)	–	–	(3)
Provisions for credit losses	57	(5)	164	(14)	202	73	25	56	(7)	147
Write-offs	–	–	(185)	–	(185)	–	–	(12)	–	(12)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	5	18	23	–	–	3	7	10
Foreign exchange movements and other	–	–	(3)	–	(3)	1	–	–	–	1
Balance at end	308	215	225	4	752	251	220	244	–	715
Includes:										
Amounts drawn	218	181	225	4	628	182	194	244	–	620
Undrawn commitments[5]	90	34	–	–	124	69	26	–	–	95
Total allowances for credit losses at end[7]	547	568	508	(94)	1,529	474	554	418	(110)	1,336
Includes:										
Amounts drawn	424	503	508	(94)	1,341	375	501	418	(110)	1,184
Undrawn commitments[5]	123	65	–	–	188	99	53	–	–	152

[1] No POCI loans were acquired during the year ended October 31, 2024 (the total amount of undiscounted initially expected credit losses on the POCI loans acquired during the year ended on October 31, 2023 was $93 million). The expected credit losses reflected in the purchase price have been discounted.

[2] Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.

[3] Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.

[4] Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).

[5] The allowances for credit losses on undrawn commitments are reported under *Other liabilities* in the Consolidated Balance Sheet.

[6] Includes customers' liability under acceptances.

[7] Excludes allowances for credit losses on other financial assets at amortized cost and on off-balance-sheet commitments other than undrawn commitments.

Note 8 – Loans and Allowances for Credit Losses (cont.)

Distribution of Gross and Impaired Loans by Borrower Category Under the Basel Asset Classes

					2024					2023
			As at October 31	Year ended October 31				As at October 31	Year ended October 31	
	Gross loans	Impaired loans	Allowances for credit losses on impaired loans[1]	Provisions for credit losses	Write-offs	Gross loans[2]	Impaired loans[2]	Allowances for credit losses on impaired loans[1][2]	Provisions for credit losses	Write-offs
Retail										
Residential mortgage[3]	104,665	647	138	47	3	99,910	405	91	28	2
Qualifying revolving retail[4]	4,148	27	21	115	130	4,000	24	18	82	96
Other retail[5]	17,919	336	140	167	103	16,696	157	67	81	88
	126,732	1,010	299	329	236	120,606	586	176	191	186
Non-retail										
Agriculture	9,192	84	16	12	–	8,545	67	4	2	–
Oil and gas	1,913	–	–	–	–	1,826	–	–	(7)	–
Mining	2,062	38	17	17	–	1,245	–	–	(4)	–
Utilities	12,528	–	–	–	–	12,427	–	–	(35)	–
Non-real-estate construction[6]	1,864	38	31	–	–	1,739	38	31	–	–
Manufacturing	8,064	93	45	32	37	7,047	76	51	41	–
Wholesale	3,145	48	17	42	64	3,208	51	40	15	–
Retail	4,229	13	6	–	13	3,801	29	18	(1)	–
Transportation	3,253	71	6	4	7	2,631	14	9	3	1
Communications	2,542	7	6	1	9	2,556	17	14	5	2
Financial services	12,775	66	16	11	–	11,693	22	5	6	2
Real estate services and real estate construction[7]	30,848	113	26	23	2	25,967	19	5	–	3
Professional services	3,871	10	3	2	2	3,973	8	3	(1)	2
Education and health care	3,487	49	13	6	50	3,700	83	55	31	1
Other services	7,356	11	7	1	1	6,898	13	7	–	2
Government	1,853	–	–	–	–	1,727	–	–	–	–
Other	8,268	1	–	–	–	6,478	1	–	(1)	–
	117,250	642	209	151	185	105,461	438	242	54	13
Excluding POCI loans	243,982	1,652	508	480	421	226,067	1,024	418	245	199
POCI	391	391	(94)	(2)	–	560	560	(110)	(23)	–
	244,373	2,043	414	478	421	226,627	1,584	308	222	199
Stages 1 and 2[8]				91					175	
				569	421				397	199

[1] Allowances for credit losses on drawn amounts.
[2] Includes customers' liability under acceptances.
[3] Includes residential mortgages on one-to-four-unit dwellings (Basel definition) and home equity lines of credit.
[4] Includes lines of credit and credit card receivables.
[5] Includes consumer loans and other retail loans but excludes SME loans.
[6] Includes civil engineering loans, public-private partnership loans, and project finance loans.
[7] Includes residential mortgages on dwellings of five or more units and SME loans.
[8] Includes provisions for credit losses on other financial assets at amortized cost and on off-balance-sheet commitments.

Main Macroeconomic Factors

The following tables show the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario, namely, the base scenario, upside scenario, and downside scenario, the average values of the macroeconomic factors over the next 12 months (used for Stage 1 credit loss calculations) and over the remaining forecast period (used for Stage 2 credit loss calculations) are presented.

	As at October 31, 2024					
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic factors[1]						
GDP growth[2]	1.2 %	2.0 %	1.9 %	2.1 %	(5.2) %	2.7 %
Unemployment rate	7.3 %	6.7 %	6.5 %	5.8 %	8.7 %	7.9 %
Housing price index growth[2]	4.1 %	2.6 %	7.7 %	2.4 %	(13.9) %	0.3 %
BBB spread[3]	2.2 %	1.9 %	1.7 %	1.6 %	3.4 %	2.6 %
S&P/TSX growth[2][4]	(3.8) %	2.7 %	4.0 %	3.0 %	(25.6) %	5.5 %
WTI oil price[5] *(US$ per barrel)*	71	75	89	84	45	55

	As at July 31, 2024					
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic factors[1]						
GDP growth[2]	0.9 %	1.8 %	1.4 %	2.0 %	(5.1) %	2.6 %
Unemployment rate	6.8 %	6.5 %	6.5 %	5.8 %	8.4 %	7.7 %
Housing price index growth[2]	2.1 %	2.6 %	7.7 %	2.4 %	(13.9) %	0.3 %
BBB spread[3]	2.0 %	1.6 %	1.4 %	1.4 %	3.1 %	2.3 %
S&P/TSX growth[2][4]	(8.3) %	2.9 %	4.0 %	3.0 %	(25.6) %	5.5 %
WTI oil price[5] *(US$ per barrel)*	76	80	94	89	47	58

	As at October 31, 2023					
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic factors[1]						
GDP growth[2]	– %	1.7 %	0.4 %	1.9 %	(4.9) %	2.6 %
Unemployment rate	6.3 %	6.5 %	5.9 %	5.9 %	7.7 %	7.2 %
Housing price index growth[2]	(1.1) %	1.9 %	2.5 %	2.4 %	(13.9) %	0.3 %
BBB spread[3]	2.4 %	2.1 %	1.9 %	1.8 %	3.1 %	2.3 %
S&P/TSX growth[2][4]	(10.0) %	3.7 %	4.0 %	3.0 %	(25.6) %	5.5 %
WTI oil price[5] *(US$ per barrel)*	77	80	91	86	46	56

[1] All macroeconomic factors are based on the Canadian economy unless otherwise indicated.
[2] Growth rate is annualized.
[3] Yield on corporate BBB bonds less yield on Canadian federal government bonds with a 10-year maturity.
[4] Main stock index in Canada.
[5] The West Texas Intermediate (WTI) index is commonly used as a benchmark for the price of oil.

The main macroeconomic factors used for the personal credit portfolio are unemployment rate and growth in the housing price index, based on the economy of Canada or Quebec. The main macroeconomic factors used for the business and government credit portfolio are unemployment rate, spread on corporate BBB bonds, S&P/TSX growth, and WTI oil price.

An increase in unemployment rate or BBB spread will generally lead to higher allowances for credit losses, whereas an increase in the other macroeconomic factors (GDP, S&P/TSX, housing price index, and WTI oil price) will generally lead to lower allowances for credit losses.

Note 8 – Loans and Allowances for Credit Losses (cont.)

During the year ended October 31, 2024, the macroeconomic outlook remained essentially unchanged and uncertainty remains high.

Data further confirm that inflation is contained in Canada, in an environment where economic growth has been below the pace of potential GDP since 2022. The labour market remains fragile, with a continuous decline in the employment rate, in particular for people aged 25 to 54. Hiring intentions and job vacancy rates do not suggest any stabilization in the coming months, as the business climate is weakened by a monetary policy that remains restrictive. Considering that inflation is back to the Bank of Canada's target, it seems risky to maintain such a policy because this could have side effects. We anticipate an additional 225-basis point reduction in the policy interest rate over the next four quarters, with economic growth of only 1.0% in 2024 and 1.3% in 2025, which would lead to an unemployment rate ranging from 7.0% to 7.5% by mid-2025. The U.S. economy continues to be robust as a result of sustained government and consumer spending. However, the labour market has started to show signs of vulnerability. Consequently, the U.S. Federal Reserve began a monetary policy easing cycle, but it is hard to believe that inflation will be permanently curbed without any economic slowdown. In the base scenario, the unemployment rate stands at 7.3% after 12 months in Canada, up 0.8 percentage point. Despite the slight deterioration in the labour market, real estate prices continue to increase slightly due to the housing shortage exacerbated by the demographic boom and the increase in maximum amortization for insured loans from 25 to 30 years for first-time homebuyers. As a result, house prices are up 4.1% year over year. The S&P/TSX sits at 22,067 points after one year, and the price of oil hovers around US$73.

In the upside scenario, an easing of geopolitical tensions boosts confidence. Inflation continues to subside, as central banks managed to curb it without causing significant damages to the economy. The Canadian and U.S. governments continue to expand spending, offsetting the effects of the restrictive monetary policies. With the labour market holding up, consumer spending remains relatively resilient. House prices rise at a moderate pace against a backdrop of strong demographic growth. After one year, the unemployment rate in this scenario is more favourable than in the base scenario (nine-tenths lower). House prices rise 7.7%, the S&P/TSX is at 23,849 points after one year, and the price of oil hovers around US$89.

In the downside scenario, central banks did not ease their monetary policies quickly enough, and the global economy sinks into a recession as falling demand translates into reduced investment by businesses, which also lay off a large number of workers. Given budgetary constraints, governments are unable to support households and businesses as they did during the pandemic. The geopolitical situation continues to cause concern, with the risk of conflicts escalating. After 12 months, economic contraction pushes unemployment to 9.5%. House prices fall sharply (-13.9%). The S&P/TSX sits at 17,063 points after one year, and the price of oil hovers around US$39.

Given uncertainty surrounding the key inputs used to measure credit losses, the Bank has applied expert credit judgment to adjust the modelled ECL results.

Sensitivity Analysis of Allowances for Credit Losses on Non-Impaired Loans

Scenarios

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired loans (Stages 1 and 2) as at October 31, 2024 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	Allowances for credit losses on non-impaired loans
Balance as at October 31, 2024	**1,115**
Simulations	
100% upside scenario	**725**
100% base scenario	**860**
100% downside scenario	**1,469**

Migration

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired loans (Stages 1 and 2) as at October 31, 2024 with the estimated allowances for credit losses that would result if all these non-impaired loans were in Stage 1.

	Allowances for credit losses on non-impaired loans
Balance as at October 31, 2024	**1,115**
Simulation	
Non-impaired loans if they were all in Stage 1	**891**

Note 9 – Financial Assets Transferred But Not Derecognized

In the normal course of its business, the Bank enters into transactions in which it transfers financial assets such as securities or loans directly to third parties, in particular structured entities. According to the terms of some of those transactions, the Bank retains substantially all of the risks and rewards related to those financial assets. The risks include credit risk, interest rate risk, foreign exchange risk, prepayment risk, and other price risks, whereas the rewards include the income streams associated with the financial assets. As such, those financial assets are not derecognized and the transactions are treated as collateralized or secured borrowings. The nature of those transactions is described below.

Securities Sold Under Repurchase Agreements and Securities Loaned

When securities are sold under repurchase agreements and securities loaned under securities lending agreements, the Bank transfers financial assets to third parties in accordance with the standard terms for such transactions. These third parties may have an unlimited right to resell or repledge the financial assets received. If cash collateral is received, the Bank records the cash along with an obligation to return the cash, which is included in *Obligations related to securities sold under repurchase agreements and securities loaned* in the Consolidated Balance Sheet. Where securities are received as collateral, the Bank does not record the collateral in the Consolidated Balance Sheet.

Financial Assets Transferred to Structured Entities

Under the Canada Mortgage Bond (CMB) program, the Bank sells securities backed by insured residential mortgages and other securities to Canada Housing Trust (CHT), which finances the purchase through the issuance of insured mortgage bonds. Third-party CMB investors have legal recourse only to the transferred assets. The cash received for these transferred assets is treated as a secured borrowing, and a corresponding liability is recorded in *Liabilities related to transferred receivables* in the Consolidated Balance Sheet.

Note 9 – Financial Assets Transferred But Not Derecognized (cont.)

The following table provides additional information about the nature of the transferred financial assets that do not qualify for derecognition and the associated liabilities.

As at October 31	2024	2023
Carrying value of financial assets transferred but not derecognized		
Securities[1]	**110,614**	91,097
Residential mortgages	**24,015**	23,227
	134,629	114,324
Carrying value of associated liabilities[2]	**70,423**	62,295
Fair value of financial assets transferred but not derecognized		
Securities[1]	**110,614**	91,098
Residential mortgages	**23,760**	22,002
	134,374	113,100
Fair value of associated liabilities[2]	**70,091**	61,468

[1] The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties.

[2] Associated liabilities include liabilities related to transferred receivables and obligations related to securities sold under repurchase agreements before the offsetting impact of $13,805 million as at October 31, 2024 ($6,994 million as at October 31, 2023). Liabilities related to securities loaned are not included, as the Bank can lend its own financial assets and those of third parties. The carrying value and fair value of liabilities related to securities loaned stood at $14,124 million before the offsetting impact of $4,188 million as at October 31, 2024 ($10,171 million before the offsetting impact of $2,090 million as at October 31, 2023).

The following table specifies the nature of the transactions related to financial assets transferred but not derecognized.

As at October 31	2024	2023
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgages and other securities sold to CHT	**25,557**	24,313
Securities sold under repurchase agreements	**46,716**	40,357
Securities loaned	**62,356**	49,654
	134,629	114,324

Note 10 – Investments in Associates and Joint Ventures

As at October 31	2024	2023
	Carrying value	Carrying value
Unlisted associates	**40**	49

As at October 31, 2024 and 2023, there were no significant restrictions limiting the ability of associates to transfer funds to the Bank in the form of dividends or to repay any loans or advances, if need be. Furthermore, the Bank has not made any specific commitment or contracted any contingent liability with respect to associates.

The table below provides summarized financial information related to the Bank's proportionate share in all unlisted associates that are not individually significant.

Year ended October 31[1]	2024	2023
Net income	**8**	6
Other comprehensive income	**–**	–
Comprehensive income	**8**	6

[1] The amounts are based on the cumulative balances for the 12-month periods ended September 30, 2024 and 2023.

Note 11 – Premises and Equipment

	Owned assets held							Right-of-use assets	Total
	Land	Head office building under construction	Buildings	Computer equipment	Equipment and furniture	Leasehold improvements	Total	Real estate	
Cost									
As at October 31, 2022	74	431	56	276	117	377	1,331	805	2,136
Additions and modifications	–	222	3	70	8	53	356	59	415
Disposals	–	–	(7)	–	(13)	(27)	(47)		(47)
Transfers[1]	–	(397)	386	4	7	–	–	–	–
Fully depreciated assets			(2)	(35)	(3)	(8)	(48)	(4)	(52)
Impact of foreign currency translation	–	–	–	2	–	1	3	3	6
As at October 31, 2023	74	256	436	317	116	396	1,595	863	2,458
Additions and modifications[2]	**16**	**119**	**141**	**104**	**12**	**51**	**443**	**66**	**509**
Disposals	**–**	**–**	**(2)**	**(3)**	**(1)**	**(4)**	**(10)**		**(10)**
Transfers[1]	**–**	**(375)**	**321**	**24**	**30**	**–**	**–**	**–**	**–**
Fully depreciated assets			**(1)**	**(60)**	**(2)**	**(15)**	**(78)**	**(54)**	**(132)**
Impact of foreign currency translation	**–**	**–**	**–**	**2**	**–**	**–**	**2**	**1**	**3**
As at October 31,2024[3]	**90**	**–**	**895**	**384**	**155**	**428**	**1,952**	**876**	**2,828**
Accumulated depreciation									
As at October 31, 2022			38	162	61	179	440	299	739
Depreciation for the year			4	55	10	36	105	106	211
Disposals			(5)	–	(13)	(27)	(45)		(45)
Impairment losses[4]			–	–	–	–	–	11	11
Fully depreciated assets			(2)	(35)	(3)	(8)	(48)	(4)	(52)
Impact of foreign currency translation			–	1	–	–	1	1	2
As at October 31, 2023			35	183	55	180	453	413	866
Depreciation for the year			**30**	**58**	**15**	**35**	**138**	**95**	**233**
Disposals			**(2)**	**(3)**	**(1)**	**(4)**	**(10)**		**(10)**
Impairment losses[4]			**–**	**–**	**–**	**–**	**–**	**2**	**2**
Fully depreciated assets			**(1)**	**(60)**	**(2)**	**(15)**	**(78)**	**(54)**	**(132)**
Impact of foreign currency translation			**–**	**–**	**–**	**–**	**–**	**1**	**1**
As at October 31, 2024			**62**	**178**	**67**	**196**	**503**	**457**	**960**
Carrying value as at October 31, 2023	74	256	401	134	61	216	1,142	450	1,592
Carrying value as at October 31, 2024	**90**	**–**	**833**	**206**	**88**	**232**	**1,449**	**419**	**1,868**

(1) During the year ended October 31, 2023, the Bank had started occupying certain floors of the new head office building under construction. As a result, amounts related to significant components being utilized were transferred to their corresponding asset categories.
(2) During the year ended October 31, 2024, the Bank acquired office and commercial space in the building at 700 Saint-Jacques Street in Montreal.
(3) As at October 31, 2024, contractual commitments related to the head office building stood at $5 million, covering a period up to 2025.
(4) During the year ended October 31, 2024, the Bank recorded impairment losses of $2 million related to right-of-use assets ($11 million during the year ended October 31, 2023). These impairment losses were recognized in *Non-interest expenses – Occupancy* in the Consolidated Statement of Income and reported under the *Other* heading in segment disclosures.

Assets Leased Under Operating Leases

The Bank is a lessor under operating lease agreements for certain buildings. These leases have terms varying from one year to five years and do not contain any bargain purchase options or contingent rent.

The future minimum payments receivable under these operating leases total $5 million and include sublease revenues of $4 million related to real estate right-of-use assets.

Note 11 – Premises and Equipment (cont.)

Leases Recognized in the Consolidated Statement of Income

Year ended October 31	**2024**	2023
Interest expense	**17**	17
Expense for leases of low-value assets[1]	**11**	10
Expense relating to variable lease payments	**80**	100
Income from leasing and subleasing[2]	**4**	4

[1] The expense relates to lease payments for low-value assets that are part of the exemptions permitted by the practical expedients of IFRS 16.
[2] These amounts for the years ended October 31, 2024 and 2023 include variable lease payments of $2 million.

For the year ended October 31, 2024, the cash outflows for leases amounted to $218 million (2023: $229 million).

Note 12 – Goodwill and Intangible Assets

Goodwill

The following table presents changes in the carrying amounts of goodwill by cash-generating unit (CGU) and by business segment for the years ended October 31, 2024 and 2023.

	Personal and Commercial[1]				**Wealth Management**	**Financial Markets**[1]			**USSF&I**	**Other**	**Total**
		Third-Party Solutions[1]	**Securities Brokerage**[1]	**Managed Solutions**[1]	**Total**		**Credigy Ltd.**[1]	**Advanced Bank of Asia Limited**[1]	**Total**	**Flinks Technology Inc.**[1]	
Balance as at October 31, 2022	54	256	434	269	959	235	34	136	170	101	1,519
Impact of foreign currency translation	–	–	–	–	–	–	–	2	2	–	2
Balance as at October 31, 2023	54	256	434	269	959	235	34	138	172	101	1,521
Impact of foreign currency translation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Balance as at October 31, 2024	**54**	**256**	**434**	**269**	**959**	**235**	**34**	**139**	**173**	**101**	**1,522**

[1] Constitutes a CGU.

Goodwill Impairment Testing and Significant Assumptions
For impairment testing purposes, goodwill resulting from a business combination must be allocated, as of the acquisition date, to a CGU or group of CGUs expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the recoverable value of the CGU or group of CGUs may have fallen below its carrying amount.

Goodwill was tested for impairment during the years ended October 31, 2024 and 2023, and no impairment loss was recognized.

The recoverable value of a CGU or group of CGUs is based on the value in use that is calculated based on discounted after-tax cash flows. Future after-tax cash flows are estimated based on a five-year period, which is the reference period used for the most recent financial forecasts approved by management. Cash flows beyond that period are extrapolated using a long-term growth rate.

The discount rate used for each CGU or group of CGUs is calculated using the cost of debt financing and the cost related to the Bank's equity. This rate corresponds to the Bank's weighted average cost of capital and reflects the risk specific to the CGU. The long-term growth rate used in calculating discounted cash flow estimates is based on the forecasted growth rate plus a risk premium. The rate is constant over the entire five-year period for which the cash flows were determined. Growth rates are determined, among other factors, based on past growth rates, economic trends, inflation, competition, and the impact of the Bank's strategic initiatives. As at October 31, 2024, for each CGU or CGU group, the discount rate (after tax) used was 9.72% (9.78% as at October 31, 2023), and the long-term growth rate varied between 2% and 5%, depending on the CGU, as at October 31, 2024 and 2023.

Estimating a CGU's value in use requires significant judgment regarding the inputs used in applying the discounted cash flow method. The Bank conducts sensitivity analyses by varying the after-tax discount rate upward by 1% and the terminal growth rates downward by 1%. Such sensitivity analyses demonstrate that a reasonable change in assumptions would not result in a CGU's carrying value exceeding its value in use.

Intangible Assets

	Indefinite useful life			Finite useful life				Total
	Management contracts[1]	Trademark	Total	Internally-generated software[2]	Other software	Other intangible assets	Total	
Cost								
As at October 31, 2022	159	8	167	2,109	128	60	2,297	2,464
Acquisitions	–	–	–	282	17	–	299	299
Disposals	–	–	–	(19)	–	–	(19)	(19)
Impairment losses[3]	(1)	(1)	(2)	(315)	–	–	(315)	(317)
Fully amortized intangible assets				(168)	(18)	–	(186)	(186)
As at October 31, 2023	158	7	165	1,889	127	60	2,076	2,241
Acquisitions	**–**	**–**	**–**	**241**	**19**	**–**	**260**	**260**
Impairment losses[3]	**(2)**	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Fully amortized intangible assets				**(182)**	**(23)**	**(58)**	**(263)**	**(263)**
As at October 31, 2024	**156**	**7**	**163**	**1,948**	**123**	**2**	**2,073**	**2,236**
Accumulated amortization								
As at October 31, 2022				974	76	54	1,104	1,104
Amortization for the year				287	20	6	313	313
Disposals				(6)	–	–	(6)	(6)
Impairment losses[3]				(240)	–	–	(240)	(240)
Fully amortized intangible assets				(168)	(18)	–	(186)	(186)
As at October 31, 2023				847	78	60	985	985
Amortization for the year				**263**	**18**	**–**	**281**	**281**
Impairment losses[3]				**–**	**–**	**–**	**–**	**–**
Fully amortized intangible assets				**(182)**	**(23)**	**(58)**	**(263)**	**(263)**
As at October 31, 2024				**928**	**73**	**2**	**1,003**	**1,003**
Carrying value as at October 31, 2023	158	7	165	1,042	49	–	1,091	1,256
Carrying value as at October 31, 2024	**156**	**7**	**163**	**1,020**	**50**	**–**	**1,070**	**1,233**

(1) For annual impairment testing purposes, management contracts are allocated to the Managed Solutions CGU.

(2) The remaining amortization period for significant internally-generated software is three years.

(3) During the year ended October 31, 2024, the Bank recorded impairment losses of $2 million resulting from the impairment test carried out on indefinite-life intangible assets ($2 million during the year ended October 31, 2023) as well as a negligible amount related to internally-generated software for which the Bank has decided to cease its use or development ($75 million during the year ended October 31, 2023). In 2023, these impairment losses related to internally-generated software had been recognized in *Non-interest expenses – Technology* in the Consolidated Statement of Income and reported under the Personal and Commercial ($59 million), Wealth Management ($8 million), Financial Markets ($7 million) segments and under the *Other* heading ($1 million) in segment disclosures.

Note 13 – Other Assets

As at October 31	2024	2023[1]
Receivables, prepaid expenses and other items	**3,579**	3,118
Interest and dividends receivable	**1,742**	1,605
Due from clients, dealers and brokers	**1,302**	538
Defined benefit asset (Note 25)	**487**	356
Deferred tax assets (Note 26)	**828**	666
Current tax assets	**669**	925
Reinsurance contract assets	**22**	16
Insurance contract assets	**41**	20
Commodities[2]	**573**	544
	9,243	7,788

(1) Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

(2) Commodities are recorded at fair value based on quoted prices in active markets and are classified in Level 1 of the fair value measurement hierarchy.

Note 14 – Deposits

As at October 31				2024	2023
	On demand[1]	After notice[2]	Fixed term[3]	Total	Total
Personal	5,058	39,418	50,705	95,181	87,883
Business and government[4]	65,627	27,885	139,218	232,730	197,328
Deposit-taking institutions	2,643	95	2,896	5,634	2,962
	73,328	67,398	192,819	333,545	288,173

[1] Demand deposits are deposits for which the Bank does not have the right to require notice of withdrawal and consist essentially of deposits in chequing accounts.

[2] Notice deposits are deposits for which the Bank may legally require a notice of withdrawal and consist mainly of deposits in savings accounts.

[3] Fixed-term deposits are deposits that can be withdrawn by the holder on a specified date and include term deposits, guaranteed investment certificates, savings accounts and plans, covered bonds, and other similar instruments.

[4] As at October 31, 2024, business and government deposits included subscription receipts of $1.0 billion issued as part of the agreement to acquire Canadian Western Bank (CWB). For additional information, see Note 16.

Deposits – Business and government includes, among other items, covered bonds, as described below, and deposits of $23.5 billion as at October 31, 2024 ($17.7 billion as at October 31, 2023) that are subject to the bank bail-in conversion regulations issued by the Government of Canada. These regulations provide certain powers to the Canada Deposit Insurance Corporation (CDIC), notably the power to convert certain eligible Bank shares and liabilities into common shares should the Bank become non-viable.

Covered Bonds

NBC Covered Bond Guarantor (Legislative) Limited Partnership

In December 2013, the Bank established the covered bond legislative program under which covered bonds are issued. It therefore created NBC Covered Bond Guarantor (Legislative) Limited Partnership (the Guarantor) to guarantee payment of the principal and interest owed to the bondholders. The Bank sold uninsured residential mortgages to the Guarantor and granted it loans to facilitate the acquisition of these assets. During the year ended October 31, 2024, the Bank issued 750 million euros in covered bonds, and covered bonds of 750 million euros matured (covered bonds of 280 million Swiss francs and 1.0 billion euros were issued, and covered bonds of 1.5 billion euros matured during the year ended October 31, 2023). Covered bonds totalled $11.4 billion as at October 31, 2024 ($10.9 billion as at October 31, 2023). For additional information, see Note 29 to these Consolidated Financial Statements.

The Bank has limited access to the assets owned by this structured entity according to the terms of the agreements that apply to this transaction. The assets owned by this entity totalled $22.3 billion as at October 31, 2024 ($20.9 billion as at October 31, 2023), of which $21.9 billion ($20.6 billion as at October 31, 2023) is presented in *Residential mortgage* loans in the Bank's Consolidated Balance Sheet.

Note 15 – Other Liabilities

As at October 31	2024	2023[1]
Accounts payable and accrued expenses	3,433	2,458
Subsidiaries' debts to third parties	236	224
Interest and dividends payable	2,290	2,022
Lease liabilities	472	517
Due to clients, dealers and brokers	853	669
Defined benefit liability (Note 25)	103	94
Allowances for credit losses – Off-balance-sheet commitments (Note 8)	214	176
Deferred tax liabilities (Note 26)	69	28
Current tax liabilities	123	204
Insurance contract liabilities	28	8
Other items[2][3][4]	865	1,016
	8,686	7,416

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] As at October 31, 2024, *Other items* included provisions for litigation of $10 million ($42 million as at October 31, 2023).

[3] As at October 31, 2024, *Other items* included provisions for onerous contracts of $18 million ($31 million as at October 31, 2023).

[4] As at October 31, 2024, *Other items* included the financial liability resulting from put options written to non-controlling interests of Flinks for an amount of $5 million ($23 million as at October 31, 2023).

Note 16 – Subscription Receipts

In connection with the CWB transaction, the Bank offered an aggregate of 9,262,500 subscription receipts at a price of $112.30 per subscription receipt pursuant to a public offering (the Public Offering) and concurrent private placement (the Concurrent Private Placement) for a total amount of $1.0 billion.

Pursuant to the Public Offering, on June 17, 2024, the Bank issued and sold 4,453,000 subscription receipts at a price of $112.30 for total gross proceeds of approximately $500 million. The Public Offering was underwritten on a bought-deal basis by a syndicate of underwriters (the Underwriters). On July 17, 2024, the Bank issued and sold 178,250 additional subscription receipts pursuant to the partial exercise of the Underwriters' over-allotment option. Pursuant to the Concurrent Private Placement, on June 17, 2024, the Bank issued and sold 4,453,000 subscription receipts at a price of $112.30 to an affiliate of Caisse de dépôt et placement du Québec (CDPQ) for total gross proceeds of approximately $500 million. On July 17, 2024, the Bank issued and sold 178,250 additional subscription receipts to an affiliate of CDPQ pursuant to CDPQ's option to purchase additional subscription receipts to maintain its pro-rata ownership.

Each subscription receipt entitles the holder thereof to receive automatically upon closing of the CWB transaction, without any action on the part of the holder and without payment of additional consideration, (i) one common share of National Bank, and (ii) a cash payment equal to the amount per common share of any cash dividends declared by the Bank and for which the record date falls within the period from June 17, 2024 up to (but excluding) the last day the subscription receipts are outstanding (less applicable withholding taxes, if any). In the event that the transaction fails, the subscription receipt holders have the right to the reimbursement of the full amount, including interest earned. As at October 31, 2024, the total amount related to the subscription receipts, including accrued interest, was $1.0 billion, net of transaction costs. This amount has been included in *Deposits – Business and government*. For additional information, see Note 14.

Note 17 – Subordinated Debt

The subordinated debt represents direct unsecured obligations, in the form of notes and debentures, to the Bank's debt holders. The rights of the Bank's note and debenture holders are subordinate to the claims of depositors and certain other creditors. Approval from OSFI is required before the Bank can redeem its subordinated notes and debentures in whole or in part.

On February 5, 2024, the Bank issued medium-term notes for a total amount of $500 million bearing interest at 5.279% and maturing on February 15, 2034. The interest on these notes will be payable semi-annually at a rate of 5.279% per annum until February 15, 2029 and, thereafter, will be payable quarterly at a floating rate equal to Daily Compounded CORRA (Canadian Overnight Repo Rate Average) plus 1.80%. With the prior approval of OSFI, the Bank may, at its option, redeem these notes as of February 15, 2029, in whole or in part, at their nominal value plus accrued and unpaid interest. Given that the medium-term notes satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III.

As at October 31			**2024**	2023
Maturity date	**Interest rate**	**Redemption date**		
August 2032[1]	5.426% [2]	August 16, 2027[3]	**750**	750
February 2034 [1]	5.279% [4]	February 15, 2029[3]	**500**	–
			1,250	750
Fair value hedge adjustment[5]			**12**	–
Unamortized issuance costs[6]			**(4)**	(2)
Total			**1,258**	748

[1] These notes contain non-viability contingent capital (NVCC) provisions and qualify for the purposes of calculating regulatory capital under Basel III. In the case of a trigger event as defined by OSFI, each note will be automatically and immediately converted, on a full and permanent basis, without the consent of the holder, into a specified number of common shares of the Bank as determined using 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; (ii) the current market price of common shares, which represents the volume weighted average price of common shares for the ten trading days ending on the trading day preceding the date of the trigger event. If the common shares are not listed on an exchange when this price is being established, the price will be the fair value reasonably determined by the Bank's Board. The number of shares issued is determined by dividing the par value of the note (plus accrued and unpaid interest on such note) by the conversion price and then applying the multiplier.

[2] Bearing interest at a rate of 5.426%, payable semi-annually until August 16, 2027, and thereafter bearing interest at a floating rate equal to Daily Compounded CORRA plus 2.32%, payable quarterly.

[3] With the prior approval of OSFI, the Bank may, at its option, redeem these notes in whole or in part, at their nominal value plus accrued and unpaid interest.

[4] Bearing interest at a rate of 5.279%, payable semi-annually until February 15, 2029, and thereafter bearing interest at a floating rate equal to Daily Compounded CORRA plus 1.80%, payable quarterly.

[5] The fair value hedge adjustment represents the impact of the hedging transactions applied to hedge changes in the fair value of subordinated debt caused by interest rate fluctuations.

[6] The unamortized costs related to the issuance of the subordinated debt represent the initial cost, net of accumulated amortization, calculated using the effective interest rate method.

Note 18 – Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, exchange rate, equity price, commodity price, credit spread, or index.

The main types of derivative financial instruments used are presented below.

Forwards and Futures
Forwards and futures are contractual obligations to buy or sell a specified amount of currency, interest rate, commodity, or financial instrument on a specified future date at a specified price. Forwards are tailor-made agreements transacted in the over-the-counter market. Futures are traded on organized exchanges and are subject to cash margining calculated daily by clearing houses.

Swaps
Swaps are over-the-counter contracts in which two parties agree to exchange cash flows with specific characteristics. The Bank uses the following types of swap contracts:

- Cross-currency swaps are transactions in which counterparties exchange fixed-rate interest payments and principal payments in different currencies.
- Interest rate swaps are transactions in which counterparties exchange fixed- and floating-rate interest payments based on the notional principal value in the same currency.
- Commodity swaps are transactions in which counterparties exchange fixed- and floating-rate payments based on the notional principal value of a commodity.
- Equity swaps are transactions in which counterparties agree to exchange the return on one equity or group of equities for a payment based on an interest rate benchmark.
- Credit default swaps are transactions in which one of the parties agrees to pay returns to the other party so that the latter can make a payment if a credit event occurs.

Options
Options are agreements between two parties in which the writer of the option grants the buyer the right, but not the obligation, to buy or sell, either at a specified date or dates or at any time prior to a predetermined expiry date, a specific amount of currency, commodity, or financial instrument at an agreed-upon price upon the sale of the option. The writer receives a premium for the sale of this instrument.

Notional Amounts[1]

As at October 31							2024	2023
					Term to maturity			
	3 months or less	Over 3 months to 12 months	Over 1 year to 5 years	Over 5 years	Total contracts	Contracts held for trading purposes	Contracts designated as hedges	Total contracts
Interest rate contracts								
OTC contracts								
Forward rate agreements								
Not settled by central counterparties	17,311	757	–	–	18,068	18,068	–	9,112
Settled by central counterparties	–	570	–	–	570	570	–	–
Swaps								
Not settled by central counterparties	4,945	12,176	88,329	62,495	167,945	165,450	2,495	140,437
Settled by central counterparties	277,339	206,969	536,680	209,241	1,230,229	1,129,201	101,028	947,848
Options purchased	37	2,013	3,147	1,795	6,992	6,828	164	7,387
Options written	887	2,810	3,774	2,527	9,998	9,493	505	8,619
	300,519	225,295	631,930	276,058	1,433,802	1,329,610	104,192	1,113,403
Exchange-traded contracts								
Futures								
Long positions	2,263	6,830	8,211	–	17,304	17,304	–	44,468
Short positions	26,235	28,985	9,069	–	64,289	64,289	–	63,418
Options purchased	8,633	–	–	–	8,633	8,633	–	14
Options written	278	–	–	–	278	278	–	14
	37,409	35,815	17,280	–	90,504	90,504	–	107,914
Foreign exchange contracts								
OTC contracts								
Forwards	31,968	14,502	10,107	953	57,530	57,525	5	54,634
Swaps	313,548	76,960	108,747	44,522	543,777	518,470	25,307	500,841
Options purchased	15,306	25,163	5,347	–	45,816	45,816	–	36,038
Options written	15,590	31,062	7,034	–	53,686	53,686	–	41,161
	376,412	147,687	131,235	45,475	700,809	675,497	25,312	632,674
Exchange-traded contracts								
Futures								
Long positions	51	–	–	–	51	51	–	69
Short positions	28	–	–	–	28	28	–	28
	79	–	–	–	79	79	–	97
Equity, commodity and credit derivative contracts[2]								
OTC contracts								
Forwards	6	5	21	–	32	32	–	3,579
Swaps								
Not settled by central counterparties	36,295	33,482	21,696	1,287	92,760	92,580	180	81,033
Settled by central counterparties	169	189	7,372	767	8,497	8,497	–	7,400
Options purchased	8,186	142	1,334	3,615	13,277	13,277	–	6,219
Options written	7,970	229	3,490	323	12,012	12,012	–	3,329
	52,626	34,047	33,913	5,992	126,578	126,398	180	101,560
Exchange-traded contracts								
Futures								
Long positions	4,358	556	2,698	55	7,667	7,667	–	3,030
Short positions	36,165	4,805	9,173	3	50,146	50,146	–	22,445
Options purchased	42,527	3,089	2,985	–	48,601	48,601	–	14,620
Options written	2,038	2,272	1,390	57	5,757	5,757	–	16,325
	85,088	10,722	16,246	115	112,171	112,171	–	56,420
	852,133	453,566	830,604	327,640	2,463,943	2,334,259	129,684	2,012,068

[1] Notional amounts are not recognized in assets or liabilities in the Consolidated Balance Sheet. They represent the reference amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged.

[2] Includes precious metal contracts.

Note 18 – Derivative Financial Instruments (cont.)

Credit Risk

Credit risk on derivative financial instruments is the risk of financial loss that the Bank will have to assume if a counterparty fails to honour its contractual obligations. Credit risk related to derivative financial instruments is subject to the same credit approval, credit limit, and credit monitoring standards as those applied to the Bank's other credit transactions. Consequently, the Bank evaluates the creditworthiness of counterparties and manages the size of the portfolios as well as the diversification and maturity profiles of these financial instruments.

The Bank limits the credit risk of over-the-counter contracts by dealing with creditworthy counterparties and entering into contracts that provide for the exchange of collateral between parties where the fair value of the outstanding transactions exceeds an agreed threshold. The Bank also negotiates master netting agreements that provide for the simultaneous close-out and settling of all transactions with a given counterparty on a net basis in the event of default, insolvency, or bankruptcy. However, overall exposure to credit risk, reduced through master netting agreements, may change substantially after the balance sheet date because it is affected by all transactions subject to a contract as well as by changes in the market rates of the underlying instruments.

The Bank also uses financial intermediaries to have access to established clearing houses in order to minimize the settlement risk arising from financial derivative transactions. In some cases, the Bank has direct access to clearing houses for settling derivative financial instruments. In addition, certain derivative financial instruments traded over the counter are settled directly or indirectly by central counterparties.

In the case of exchange-traded contracts, exposure to credit risk is limited because these transactions are standardized contracts executed on established exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties and guarantees their performance obligations. All exchange-traded contracts are subject to initial margins and daily settlement.

Terms Used

Replacement Cost

Replacement cost is the Bank's maximum credit risk associated with derivative financial instruments as at the Consolidated Balance Sheet date. This amount is the positive fair value of all derivative financial instruments, before all master netting agreements and collateral held.

Credit Risk Equivalent

The credit risk equivalent amount is the total replacement cost plus an amount representing the potential future credit risk exposure, as outlined in OSFI's *Capital Adequacy Requirements Guideline*.

Risk-Weighted Amount

The risk-weighted amount is determined by applying the OSFI guidance to the credit risk equivalent.

Credit Risk Exposure of the Derivative Financial Instrument Portfolio

As at October 31			2024			2023
	Replacement cost	**Credit risk equivalent[1]**	**Risk-weighted**	Replacement cost	Credit risk equivalent[1]	Risk-weighted
Interest rate contracts	**2,397**	**3,358**	**584**	6,708	3,024	457
Foreign exchange contracts	**6,430**	**6,791**	**1,496**	7,233	5,607	1,582
Equity, commodity and credit derivative contracts	**3,482**	**10,234**	**1,464**	3,575	8,544	1,428
	12,309	**20,383**	**3,544**	17,516	17,175	3,467
Impact of master netting agreements	**(6,410)**			(8,032)		
	5,899	**20,383**	**3,544**	9,484	17,175	3,467

(1) The amounts are presented net of the Impact of master netting agreements.

Credit Risk Exposure of the Derivative Financial Instrument Portfolio by Counterparty

As at October 31		2024		2023
	Replacement cost	**Credit risk equivalent**	Replacement cost	Credit risk equivalent
OECD member-country governments	**372**	**2,497**	928	3,052
Banks of OECD member countries	**835**	**4,922**	606	3,236
Other	**4,692**	**12,964**	7,950	10,887
	5,899	**20,383**	9,484	17,175

Fair Value of Derivative Financial Instruments [1]

As at October 31			2024			2023
	Positive	**Negative**	**Net**	Positive	Negative	Net
Contracts held for trading purposes						
Interest rate contracts						
Forwards	**69**	**63**	**6**	147	54	93
Swaps	**2,213**	**3,248**	**(1,035)**	4,753	4,700	53
Options	**97**	**87**	**10**	179	208	(29)
	2,379	**3,398**	**(1,019)**	5,079	4,962	117
Foreign exchange contracts						
Forwards	**617**	**380**	**237**	878	368	510
Swaps	**5,072**	**5,024**	**48**	5,550	6,004	(454)
Options	**487**	**466**	**21**	588	544	44
	6,176	**5,870**	**306**	7,016	6,916	100
Equity, commodity and credit derivative contracts						
Forwards	**9**	**3**	**6**	40	244	(204)
Swaps	**2,076**	**2,908**	**(832)**	2,573	3,741	(1,168)
Options	**1,377**	**3,129**	**(1,752)**	962	2,424	(1,462)
	3,462	**6,040**	**(2,578)**	3,575	6,409	(2,834)
Total – Contracts held for trading purposes	**12,017**	**15,308**	**(3,291)**	15,670	18,287	(2,617)
Contracts designated as hedges						
Interest rate contracts						
Swaps	**18**	**258**	**(240)**	1,629	1,384	245
Options	**–**	**17**	**(17)**	–	11	(11)
	18	**275**	**(257)**	1,629	1,395	234
Foreign exchange contracts						
Swaps	**254**	**177**	**77**	217	181	36
	254	**177**	**77**	217	181	36
Equity, commodity and credit derivative contracts						
Swaps	**20**	**–**	**20**	–	25	(25)
	20	**–**	**20**	–	25	(25)
Total – Contracts designated as hedges	**292**	**452**	**(160)**	1,846	1,601	245
Designated as fair value hedges	**54**	**302**	**(248)**	928	902	26
Designated as cash flow hedges	**238**	**150**	**88**	918	699	219
Total fair value	**12,309**	**15,760**	**(3,451)**	17,516	19,888	(2,372)
Impact of master netting agreements	**(6,410)**	**(6,410)**	**–**	(8,032)	(8,032)	–
	5,899	**9,350**	**(3,451)**	9,484	11,856	(2,372)

[1] The fair value includes the impact of treating variation margins as settlement of the related derivative financial instrument exposure by certain central counterparties.

Note 19 – Hedging Activities

The Bank's market risk exposure, risk management objectives, policies and procedures, and risk measurement methods are presented in the Risk Management section of the MD&A for the year ended October 31, 2024.

The Bank has elected, as permitted under IFRS 9, to continue applying the hedge accounting requirements of IAS 39. Some of the tables present information on currencies, specifically, the U.S. dollar (USD), the Australian dollar (AUD), the Canadian dollar (CAD), the Hong Kong dollar (HKD), the euro (EUR), the pound sterling (GBP), the Swiss franc (CHF), the Yuan (CNH) and the Mexican peso (MXV).

Note 19 – Hedging Activities (cont.)

The following table shows the notional amounts and the weighted average rates by term to maturity of the designated derivative instruments and their fair value by type of hedging relationship. The fair value includes the impact of treating variation margins as settlement of the related derivative exposure by certain central counterparties.

As at October 31							2024			2023
				Term to maturity			Fair value			Fair value
	1 year or less	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total	Assets	Liabilities	Total	Assets	Liabilities
Fair value hedges										
Interest rate risk										
Interest rate swaps						18	258		928	858
Notional amount – CDOR reform[1]	–	–	–	–	–			7,609		
Notional amount – Other	22,012	7,058	18,194	13,751	61,015			28,868		
Average fixed interest rate – Pay fixed	2.6 %	3.7 %	3.5 %	3.5 %	3.5 %			2.1 %		
Average fixed interest rate – Receive fixed	4.8 %	4.2 %	3.2 %	3.4 %	4.1 %			4.1 %		
Cross-currency swaps						36	27		–	33
Notional amount	–	978	77	171	1,226			112		
Average USD-AUD exchange rate	–	–	–	$ 0.6936	$ 0.6936			$ 0.6943		
Average USD-EUR exchange rate	–	–	–	$ 1.0513	$ 1.0513			$ 1.0513		
Average USD-MXV exchange rate	–	–	–	$ 0.4573	$ 0.4573					
Average USD-CNH exchange rate	–	$ 0.1373	$ 0.1369	–	$ 0.1373					
Options						–	17		–	11
Notional amount	–	56	136	477	669			653		
Average fixed interest rate – Purchased	–	(0.8) %	(1.2) %	–	(1.2) %			(1.3) %		
Average fixed interest rate – Written	–	5.2 %	–	2.2 %	2.4 %			2.4 %		
	22,012	8,092	18,407	14,399	62,910	54	302	37,242	928	902
Cash flow hedges										
Interest rate risk										
Interest rate swaps						–	–		701	526
Notional amount – CDOR reform[1]	–	–	–	–	–			7,219		
Notional amount – Other	5,081	8,942	23,096	5,389	42,508			29,963		
Average fixed interest rate – Pay fixed	3.5 %	3.5 %	3.3 %	2.7 %	3.4 %			3.3 %		
Average fixed interest rate – Receive fixed	2.0 %	1.2 %	2.7 %	3.1 %	2.6 %			2.6 %		
Cross-currency swaps						218	150		217	148
Notional amount – CDOR reform[1]	–	–	–	–	–			3,913		
Notional amount – Other	5,655	7,853	10,567	–	24,075			16,789		
Average CAD-USD exchange rate	$ 1.3093	$ 1.3193	$ 1.3447	–	$ 1.3280			$ 1.3133		
Average USD-EUR exchange rate	$ 1.1487	$ 1.1210	$ 1.1043	–	$ 1.1206			$ 1.1402		
Average USD-GBP exchange rate	–	$ 1.1945	–	–	$ 1.1945			$ 1.2207		
Average CHF-USD exchange rate	–	–	$ 1.0064	–	$ 1.0064			$ 1.0064		
Equity price risk										
Equity swaps										
Notional amount – CDOR reform[1]	–	–	–	–	–			144	–	25
Notional amount – Other	180	–	–	–	180	20	–			
Average price	$ 113.97	–	–	–	$ 113.97			$ 101.63		
	10,916	16,795	33,663	5,389	66,763	238	150	58,028	918	699
Hedges of net investments in foreign operations[2]										
Foreign exchange risk										
Cross-currency swaps										
Notional amount	11	–	–	–	11	–	–	10	–	–
Average CAD-USD exchange rate	$ 1.3561	–	–	–	$ 1.3561			$ 1.3209		
Average USD-HKD exchange rate	$ 0.1287	–	–	–	$ 0.1287			$ 0.1280		
	11	–	–	–	11	–	–	10	–	–
	32,939	24,887	52,070	19,788	129,684	292	452	95,280	1,846	1,601

[1] Includes only contracts that referenced the CDOR rate and that matured after June 28, 2024.

[2] As at October 31, 2024, the Bank also designated foreign currency deposits denominated in U.S. dollars of $3,989 million as net investment hedging instruments ($1,892 million as at October 31, 2023).

Fair Value Hedges

Fair value hedge transactions consist of using derivative financial instruments (interest rate swaps and options) to hedge changes in the fair value of a financial asset or financial liability caused by interest rate fluctuations. Changes in the fair values of derivative financial instruments used as hedging instruments offset changes in the fair value of the hedged items. The Bank applies this strategy mainly to portfolios of securities measured at fair value through other comprehensive income, fixed-rate mortgage loans, fixed-rate deposits, liabilities related to transferred receivables, and subordinated debt.

In addition, when a fixed-rate asset or liability is denominated in a foreign currency, the Bank sometimes uses cross-currency swaps to hedge the associated foreign exchange risk. The Bank may designate a cross-currency swap to exchange the fixed-rate foreign currency for the functional currency at a floating rate in a single hedging relationship addressing both interest rate risk and foreign exchange risk. In certain cases, given that interest rate risk and foreign exchange risk are hedged in a single hedging relationship, the information below does not distinguish between interest rate risk and the combination of interest rate risk and foreign exchange risk as two separate risk categories. The Bank applies this strategy mainly to foreign currency fixed-rate deposits.

Regression analysis is used to assess hedge effectiveness and determine the hedge ratio. For fair value hedges, the main source of potential hedge ineffectiveness is a circumstance where the critical terms of the hedging instrument and the hedged item are not closely aligned.

The following tables show amounts related to hedged items as well as the results of the fair value hedges.

		As at October 31, 2024				Year ended October 31, 2024
	Carrying value of hedged items	**Cumulative hedge adjustments from active hedges**	**Cumulative adjustments from discontinued hedges**	**Gains (losses) on the hedged items for ineffectiveness measurement[1]**	**Gains (losses) on the hedging instruments for ineffectiveness measurement[1]**	**Hedge ineffectiveness[1]**
Securities at fair value through other comprehensive income	**12,316**	**167**	**(117)**	**433**	**(427)**	**6**
Mortgages	**5,224**	**21**	**(127)**	**164**	**(168)**	**(4)**
Deposits	**32,554**	**(170)**	**(69)**	**(466)**	**465**	**(1)**
Liabilities related to transferred receivables	**5,014**	**210**	**(8)**	**(383)**	**385**	**2**
Subordinated debt	**510**	**12**	**–**	**(12)**	**12**	**–**
				(264)	**267**	**3**

		As at October 31, 2023				Year ended October 31, 2023
	Carrying value of hedged items	Cumulative hedge adjustments from active hedges	Cumulative adjustments from discontinued hedges	Gains (losses) on the hedged items for ineffectiveness measurement[1]	Gains (losses) on the hedging instruments for ineffectiveness measurement[1]	Hedge ineffectiveness[1]
Securities at fair value through other comprehensive income	6,068	(332)	(211)	(191)	189	(2)
Mortgages	2,882	(213)	(224)	(12)	28	16
Deposits	17,728	(606)	(168)	214	(219)	(5)
Liabilities related to transferred receivables	4,155	(186)	13	202	(202)	–
				213	(204)	9

[1] Amounts are presented on a pre-tax basis.

Note 19 – Hedging Activities (cont.)

Cash Flow Hedges

Cash flow hedge transactions consist of using interest rate swaps to hedge the risk of changes in future cash flows caused by floating-rate assets or liabilities. In addition, the Bank sometimes uses cross-currency swaps to hedge the foreign exchange risk caused by assets or liabilities denominated in foreign currencies. In certain cases, given that interest rate risk and foreign exchange risk are hedged in a single hedging relationship, the information below does not distinguish between interest rate risk and the combination of interest rate risk and foreign exchange risk as two separate risk categories. The Bank applies this strategy mainly to its loan, personal credit line, acceptance, and deposit portfolios as well as liabilities related to transferred receivables.

The Bank also uses total return swaps to hedge the risk of changes in future cash flows related to the Restricted Stock Unit (RSU) Plan. Some of these swaps are designated as part of a cash flow hedge against a portion of the unrecognized obligation of the RSU Plan. In cash flow hedges, the derivative financial instruments used as hedging instruments reduce the variability of the future cash flows related to the hedged items.

Regression analysis is used to assess hedge effectiveness and to determine the hedge ratio. For cash flow hedges, the main source of potential hedge ineffectiveness is a circumstance where the critical terms of the hedging instrument and the hedged item are not closely aligned.

The following tables show the amounts related to hedged items as well as the results of the cash flow hedges.

	As at October 31, 2024		**Year ended October 31, 2024**				
	***Accumulated other comprehensive income* from active hedges**	***Accumulated other comprehensive income* from discontinued hedges**	**Gains (losses) on hedged items for ineffectiveness measurement[1]**	**Gains (losses) on hedging instruments for ineffectiveness measurement[1]**	**Hedge ineffectiveness[1]**	**Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument[1]**	**Losses (gains) reclassified to *Net interest income*[1]**
Interest rate risk							
Loans	**105**	**(186)**	**(292)**	**288**	**4**	**284**	**48**
Deposits	**(246)**	**5**	**46**	**(55)**	**(4)**	**(458)**	**(31)**
Acceptances	**–**	**156**	**22**	**(22)**	**–**	**(22)**	**(148)**
Liabilities related to transferred receivables	**(18)**	**21**	**19**	**(20)**	**(1)**	**(19)**	**(39)**
	(159)	**(4)**	**(205)**	**191**	**(1)**	**(215)**	**(170)**
Equity price risk							
Other liabilities	**60**	**–**	**(76)**	**76**	**–**	**76**	**–**
	(99)	**(4)**	**(281)**	**267**	**(1)**	**(139)**	**(170)**

	As at October 31, 2023		Year ended October 31, 2023				
	Accumulated other comprehensive income from active hedges	*Accumulated other comprehensive income* from discontinued hedges	Gains (losses) on hedged items for ineffectiveness measurement[1]	Gains (losses) on hedging instruments for ineffectiveness measurement[1]	Hedge ineffectiveness[1]	Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument[1]	Losses (gains) reclassified to *Net interest income*[1]
Interest rate risk							
Loans	(170)	(240)	127	(131)	(3)	(127)	128
Deposits	127	117	(666)	667	8	223	(17)
Acceptances	59	266	(54)	52	–	52	(52)
Liabilities related to transferred receivables	11	49	6	(6)	–	(6)	(25)
	27	192	(587)	582	5	142	34
Equity price risk							
Other liabilities	(16)	–	17	(17)	–	(17)	–
	11	192	(570)	565	5	125	34

[1] Amounts are presented on a pre-tax basis.

Hedges of Net Investments in Foreign Operations

The Bank's structural foreign exchange risk arises from investments in foreign operations denominated in currencies other than the Canadian dollar. The Bank measures this risk by assessing the impact of foreign currency fluctuations and hedges it using derivative and non-derivative financial instruments (cross-currency swaps and deposits). In a hedge of a net investment in a foreign operation (net investment hedge), the financial instruments used offset the foreign exchange gains and losses on the investments. When non-derivative financial instruments are designated as foreign exchange risk hedges, only the changes in fair value that are attributable to foreign exchange risk are taken into account when assessing and calculating the effectiveness of the hedge.

Assessing the effectiveness of net investment hedges consists of comparing changes in the carrying value of the deposits or the fair value of the derivative attributable to exchange rate fluctuations with changes in the net investment in a foreign operation attributable to exchange rate fluctuations. Inasmuch as the notional amount of the hedging instruments and the hedged net investments are aligned, no ineffectiveness is expected.

The following tables present the amounts related to hedged items as well as the results of the net investment hedges.

	As at October 31, 2024		**Year ended October 31, 2024**				
	***Accumulated other comprehensive income* from active hedges**	***Accumulated other comprehensive income* from discontinued hedges**	**Gains (losses) on hedged items for ineffectiveness measurement[1]**	**Gains (losses) on hedging instruments for ineffectiveness measurement[1]**	**Hedge ineffectiveness[1]**	**Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument[1]**	**Losses (gains) reclassified to the *Non-interest income*[1]**
Net investments in foreign operations denominated in:							
USD	**(160)**	**(246)**	**90**	**(90)**	**–**	**(90)**	**–**

	As at October 31, 2023		Year ended October 31, 2023				
	Accumulated other comprehensive income from active hedges	*Accumulated other comprehensive income* from discontinued hedges	Gains (losses) on hedged items for ineffectiveness measurement[1]	Gains (losses) on hedging instruments for ineffectiveness measurement[1]	Hedge ineffectiveness[1]	Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument[1]	Losses (gains) reclassified to the *Non-interest income*[1]
Net investments in foreign operations denominated in:							
USD	38	(353)	66	(66)	–	(66)	–

[1] Amounts are presented on a pre-tax basis.

Note 19 – Hedging Activities (cont.)

Reconciliation of Equity Components

The following table presents a reconciliation by risk category of *Accumulated other comprehensive income* attributable to hedge accounting.

As at October 31		2024		2023
	Net gains (losses) on cash flow hedges	**Net foreign currency translation adjustments**	Net gains (losses) on cash flow hedges	Net foreign currency translation adjustments
Balance at beginning	**146**	**307**	31	204
Hedges of net investments in foreign operations[1]				
Gains (losses) included as the effective portion		**(90)**		(66)
Net foreign currency translation gains (losses) on investments in foreign operations		**80**		152
Cash flow hedges[1]				
Gains (losses) included as the effective portion				
Interest rate risk	**(215)**		142	
Equity price risk	**76**		(17)	
Losses (gains) reclassified to *Net interest income*				
Interest rate risk	**(170)**		34	
Income taxes	**86**	**23**	(44)	17
Balance at end	**(77)**	**320**	146	307

[1] Amounts are presented on a pre-tax basis.

Note 20 – Share Capital and Other Equity Instruments

Authorized

Common Shares

An unlimited number of shares without par value.

First Preferred Shares

An unlimited number of shares, without par value, issuable for a maximum aggregate consideration of $7.5 billion.

First Preferred Shares and Other Equity Instruments

As at October 31, 2024

	Redemption and conversion date(1)(2)	Redemption price per share or LRCN ($)(1)	Convertible into preferred shares(2)	Dividend per share ($) or interest rate per LRCN(3)	Reset premium of the dividend rate or interest rate
First preferred shares issued and outstanding					
Series 30(4)	May 15, 2029 (5)(6)	25.00	Series 31	0.38694 (7)	2.40 %
Series 32(4)	February 15, 2025 (5)(6)	25.00	Series 33	0.23994 (7)	2.25 %
Series 38(4)	November 15, 2027 (5)(6)	25.00	Series 39	0.43919 (7)	3.43 %
Series 40(4)	May 15, 2028 (5)(6)	25.00	Series 41	0.36363 (7)	2.58 %
Series 42(4)	November 15, 2028 (5)(6)	25.00	Series 43	0.44100 (7)	2.77 %
Other equity instruments issued and outstanding					
Limited Recourse Capital Notes (LRCN)					
Series 1 (LRCN – Series 1)(8)(9)	October 15, 2025 (5)	1,000.00	Series 44 (8)	4.30 %(10)	3.943 %
Series 2 (LRCN – Series 2)(8)(9)	July 15, 2026 (5)	1,000.00	Series 45 (8)	4.05 %(10)	3.045 %
Series 3 (LRCN – Series 3)(8)(9)	October 16, 2027 (5)	1,000.00	Series 46 (8)	7.50 %(10)	4.281 %
First preferred shares authorized but not issued					
Series 31(4)	May 15, 2029 (5)	25.00 (11)	n.a.	Floating rate (12)	2.40 %
Series 33(4)	February 15, 2025 (5)	25.00 (11)	n.a.	Floating rate (12)	2.25 %
Series 39(4)	November 15, 2027 (5)	25.00 (11)	n.a.	Floating rate (12)	3.43 %
Series 41(4)	May 15, 2028 (5)	25.00 (11)	n.a.	Floating rate (12)	2.58 %
Series 43(4)	November 15, 2028 (5)	25.00 (11)	n.a.	Floating rate (12)	2.77 %

n.a. Not applicable

(1) Redeemable in cash at the Bank's option, in whole or in part, subject to the provisions of the *Bank Act* (Canada) and to OSFI approval. For the preferred shares, the redemption prices are increased by all the declared and unpaid dividends on the preferred shares to the date fixed for redemption. In the case of LRCN, the redemption prices are increased by interest accrued and unpaid up to the redemption date.

(2) Convertible at the option of the holders of first preferred shares issued and outstanding, subject to certain conditions.

(3) The dividends are non-cumulative and payable quarterly, whereas interest on the LRCN is payable semi-annually.

(4) Upon the occurrence of a trigger event, as defined by OSFI, each outstanding preferred share will be automatically and immediately converted, on a full and permanent basis, without the consent of the holder, into a number of Bank common shares determined pursuant to an automatic conversion formula. This conversion will be calculated by dividing the value of the preferred shares, i.e., $25.00 per share, plus all declared and unpaid dividends as at the date of the trigger event, by the value of the common shares. The value of the common shares will be the greater of a $5.00 floor price or the current market price of the common shares. Current market price means the volume weighted average trading price of common shares for the ten consecutive trading days ending on the trading day preceding the date of the trigger event. If the common shares are not listed on an exchange when this price is being established, the price will be the fair value reasonably determined by the Bank's Board.

(5) For the preferred shares, redeemable at the date fixed for redemption and on the same date every five years thereafter. In the case of LRCN, the redemption occurs automatically upon the redemption of the preferred shares issued by the Bank in conjunction with the LRCN and held in a limited recourse trust. The preferred shares issued and held in a limited recourse trust are redeemable for a period of one month from the date fixed for redemption and on the same dates every five years thereafter.

(6) Convertible on the date fixed for conversion and on the same date every five years thereafter, subject to certain conditions.

(7) The dividend amount is set for the five-year period commencing on May 16, 2024 for Series 30, on February 16, 2020 for Series 32, on November 16, 2022 for Series 38, on May 16, 2023 for Series 40 and on November 16, 2023 for Series 42 and ending on the redemption date. Thereafter, these shares carry a non-cumulative quarterly fixed dividend in an amount per share determined by multiplying the rate of interest equal to the sum of the five-year Government of Canada bond yield on the applicable fixed-rate calculation date by $25.00, plus the reset premium.

(8) The LRCN – Series 1, LRCN – Series 2 and LRCN – Series 3 are notes for which recourse is limited to the assets held by an independent trustee in a consolidated limited recourse trust. The trust assets consist of Series 44, Series 45 and Series 46 preferred shares issued by the Bank in conjunction with the LRCN – Series 1, LRCN – Series 2 and LRCN – Series 3. In the event of (i) non-payment of interest on any of the interest payment dates, (ii) non-payment of the redemption amount upon redemption of the LRCN, (iii) non-payment of the principal amount upon maturity of the LRCN, or (iv) an event of default in respect of the LRCN, the noteholders will have recourse only to the assets of the trust, and each noteholder will be entitled to its pro rata share of the assets of the trust. In such circumstances, delivery of the assets of the trust will eliminate all of the Bank's obligations with respect to the LRCN. The LRCN – Series 1, LRCN – Series 2 and LRCN – Series 3 are redeemable at maturity or earlier to the extent that the Bank redeems the Series 44, Series 45 and Series 46 preferred shares from the date fixed for redemption, and subject to OSFI's consent and approval.

Note 20 – Share Capital and Other Equity Instruments (cont.)

(9) The Series 44, Series 45 and Series 46 preferred shares issued by the Bank in conjunction with the LRCN – Series 1, LRCN – Series 2 and LRCN – Series 3 are held by a consolidated limited recourse trust on the Bank's balance sheet and are therefore eliminated for financial reporting purposes. Upon the occurrence of a trigger event, as defined by OSFI; (i) each LRCN will be automatically redeemed and the redemption price will be covered by delivery of the trust's assets that consist of Series 44, Series 45 and Series 46 preferred shares; (ii) each outstanding preferred share will be automatically and immediately converted on a full and permanent basis, without the consent of the holder, into a number of Bank common shares determined pursuant to an automatic conversion formula. This conversion will be calculated by dividing the value of the preferred shares, i.e., $1,000 per share, plus all accrued and unpaid interest as at the date of the trigger event, by the value of the common shares. The value of the common shares will be the greater of a $5.00 floor price or the current market price of the common shares. Current market price means the volume weighted average trading price of common shares for the ten consecutive trading days ending on the trading day preceding the date of the trigger event. If the common shares are not listed on an exchange when this price is being established, the price will be the fair value reasonably determined by the Bank's Board.

(10) The interest rate is set for the initial period ending on the date fixed for redemption. Every five years thereafter until November 15, 2075 for the LRCN – Series 1, until August 15, 2076 for the LRCN – Series 2 and until November 16, 2077 for the LRCN – Series 3, the interest rate on the notes will be adjusted and will be an annual interest rate equal to the five-year Government of Canada bond yield on the applicable interest rate calculation date, plus the interest rate reset premium.

(11) As of the date fixed for redemption, and every five years thereafter, the redemption price will be $25.00 per share.

(12) The dividend period begins as of the date fixed for redemption. The amount of the floating quarterly non-cumulative dividend is determined by multiplying by $25.00 the rate of interest equal to the sum of the 90-day Government of Canada treasury bill yield on the floating rate calculation date, plus the reset premium.

Second Preferred Shares

15 million shares without par value, issuable for a maximum aggregate consideration of $300 million. As at October 31, 2024, no shares had been issued or traded.

Shares and Other Equity Instruments Outstanding

As at October 31		2024		2023
	Number of shares or LRCN	Shares or LRCN $	Number of shares or LRCN	Shares or LRCN $
First Preferred Shares				
Series 30	14,000,000	350	14,000,000	350
Series 32	12,000,000	300	12,000,000	300
Series 38	16,000,000	400	16,000,000	400
Series 40	12,000,000	300	12,000,000	300
Series 42	12,000,000	300	12,000,000	300
	66,000,000	1,650	66,000,000	1,650
Other equity instruments				
LRCN – Series 1	500,000	500	500,000	500
LRCN – Series 2	500,000	500	500,000	500
LRCN – Series 3	500,000	500	500,000	500
	1,500,000	1,500	1,500,000	1,500
Preferred shares and other equity instruments	67,500,000	3,150	67,500,000	3,150
Common shares at beginning of year	338,284,629	3,294	336,582,124	3,196
Issued pursuant to the Stock Option Plan	2,297,601	146	1,678,321	95
Impact of shares purchased or sold for trading[1]	161,646	23	31,975	3
Other	–	–	(7,791)	–
Common shares at end of year	340,743,876	3,463	338,284,629	3,294

[1] As at October 31, 2024, a total of 188,371 shares were sold short for trading, representing an amount of $26 million (26,725 shares were sold short for trading, representing an amount of $3 million as at October 31, 2023).

Dividends Declared and Distributions on Other Equity Instruments

Year ended October 31	2024		2023	
	Dividends or interest $	**Dividends per share**	Dividends or interest $	Dividends per share
First Preferred Shares				
Series 30	**18**	**1.2770**	14	1.0063
Series 32	**12**	**0.9598**	12	0.9598
Series 38	**28**	**1.7568**	28	1.7568
Series 40	**17**	**1.4545**	16	1.3023
Series 42	**21**	**1.7640**	14	1.2375
	96		84	
Other equity instruments				
LRCN – Series 1[1]	**21**		21	
LRCN – Series 2[2]	**20**		20	
LRCN – Series 3[3]	**38**		38	
	79		79	
Preferred shares and other equity instruments	**175**		163	
Common shares	**1,468**	**4.3200**	1,344	3.9800
	1,643		1,507	

[1] The LRCN – Series 1 bear interest at a fixed rate of 4.30% per annum.
[2] The LRCN – Series 2 bear interest at a fixed rate of 4.05% per annum.
[3] The LRCN – Series 3 bear interest at a fixed rate of 7.50% per annum.

Repurchases of Common Shares

On December 12, 2023, the Bank began a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2.1% of its then outstanding common shares) over the 12-month period ended on December 11, 2024. On December 12, 2022, the Bank had begun a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2.1% of its then outstanding common shares) over the 12-month period ended on December 11, 2023. Any repurchase through the Toronto Stock Exchange is done at market prices. The common shares may also be repurchased through other means authorized by the Toronto Stock Exchange and applicable regulations, including private agreements or share repurchase programs under issuer bid exemption orders issued by the securities regulators. A private purchase made under an exemption order issued by a securities regulator will be done at a discount to the prevailing market price. The amounts that are paid above the average book value of the common shares are charged to *Retained earnings*. During the years ended October 31, 2024 and 2023, the Bank did not repurchase any common shares.

Note 20 – Share Capital and Other Equity Instruments (cont.)

Reserved Common Shares

As at October 31, 2024 and 2023, there were 15,507,568 common shares reserved under the Dividend Reinvestment and Share Purchase Plan. As at October 31, 2024, there were 17,766,087 common shares reserved under the Stock Option Plan (20,063,688 as at October 31, 2023).

Restriction on the Payment of Dividends

The Bank is prohibited from declaring dividends on its common or preferred shares if there are reasonable grounds for believing that the Bank would, by so doing, be in contravention of the regulations of the *Bank Act* (Canada) or OSFI's capital adequacy and liquidity guidelines. In addition, the ability to pay common share dividends is restricted by the terms of the outstanding preferred shares pursuant to which the Bank may not pay dividends on its common shares without the approval of the holders of the outstanding preferred shares, unless all preferred share dividends have been declared and paid or set aside for payment.

Dividend Reinvestment and Share Purchase Plan

The Bank has a Dividend Reinvestment and Share Purchase Plan for holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Participants acquire common shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of at least $1 per payment, up to a maximum of $5,000 per quarter. Common shares subscribed by participants are purchased on their behalf in the secondary market through the Bank's transfer agent, Computershare Trust Company of Canada, at a price equal to the average purchase price of the common shares during the three business days immediately following the dividend payment date.

Note 21 – Non-Controlling Interests

As at October 31	**2024**	2023
Flinks Technology Inc.[1]	–	2

[1] As at October 31, 2024, the non-controlling interest in Flinks stood at 3.0% (14.1% as at October 31, 2023)

Note 22 – Capital Disclosure

Capital Management Objectives, Policies and Procedures

Capital management has a dual role of ensuring a competitive return to the Bank's shareholders while maintaining a solid capital foundation that covers the risks inherent to the Bank's business, supports its business segments, and protects its clients.

The Bank's capital management policy defines the guiding principles as well as the roles and responsibilities regarding its internal capital adequacy assessment process. This process is a key tool in establishing the Bank's capital strategy and is subject to quarterly reviews and periodic amendments.

Capital Management

Capital ratios are obtained by dividing capital (as defined by the OSFI's *Capital Adequacy Requirements Guideline*) by risk-weighted assets (RWA) and are expressed as percentages. RWA are calculated in accordance with the rules established by OSFI for on- and off-balance-sheet risks. Credit, market, and operational risks are factored into the risk-weighted assets calculation for regulatory purposes. The definition adopted by the Basel Committee on Banking Supervision (BCBS) distinguishes between three types of capital. Common Equity Tier 1 (CET1) capital consists of common shareholders' equity less goodwill, intangible assets, and other CET1 capital deductions. Additional Tier 1 (AT1) capital consists of eligible non-cumulative preferred shares, limited recourse capital notes, and other AT1 capital adjustments. The sum of CET1 and AT1 capital forms what is known as Tier 1 capital. Tier 2 capital consists of the eligible portion of subordinated debt and certain allowances for credit losses. Total regulatory capital is the sum of Tier 1 and Tier 2 capital.

The Bank and all other major Canadian banks have to maintain the following minimum capital ratios established by OSFI: a CET1 capital ratio of at least 11.5%, a Tier 1 capital ratio of at least 13.0%, and a Total capital ratio of at least 15.0%. All of these ratios include a capital conservation buffer of 2.5% established by the BCBS and OSFI, a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs), and a 3.5% domestic stability buffer (DSB) established by OSFI. The DSB, which can vary from 0% to 4.0% of RWA, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement will not be subject to automatic constraints to reduce capital distributions but must provide a remediation plan to OSFI. The Bank also has to meet the requirements of the capital output floor, under which its total RWA must not be lower than 72.5% of the total RWA as calculated under the Basel III Standardized Approaches. Initially, OSFI proposed a phase-in of the floor factor over three years, starting at 65.0% in the second quarter of 2023 and rising 2.5% per year to reach 72.5% in fiscal 2026. On July 5, 2024, OSFI announced a one-year delay to the increase in the capital output floor. Therefore, the revised floor factor will reach 72.5% in fiscal 2027. For fiscal 2024, the floor factor is set at 67.5%; it will remain at this level until the end of fiscal 2025 and then increase until 2027. If the capital requirement is less than the capital output floor requirement after applying the floor factor, the difference is added to the total RWA. Lastly, OSFI requires D-SIBs to maintain a Basel III leverage ratio of at least 3.5%, which includes a Tier 1 capital buffer of 0.5% applicable only to D-SIBs.

OSFI also requires D-SIBs to maintain a risk-based total loss-absorbing capacity (TLAC) ratio of at least 25.0% (including the DSB) of RWA and a TLAC leverage ratio of at least 7.25%. The purpose of TLAC is to ensure that a D-SIB has sufficient loss-absorbing capacity to support its internal recapitalization in the unlikely event it becomes non-viable.

In addition, OSFI requires that regulatory capital instruments other than common shares contain Non-Viability Contingent Capital (NVCC) provisions to ensure that investors bear losses before taxpayers where the government determines that it is in the public interest to contribute to the survival of a non-viable financial institution. All the Bank's regulatory capital instruments other than common shares contain NVCC provisions.

In the first quarter of 2024, the Bank implemented OSFI's finalized guidance of the revised market risk capital rules, consistent with the BCBS's Fundamental Review of the Trading Book (FRTB) as well as the revised credit valuation adjustment (CVA) framework.

During the years ended October 31, 2024 and 2023, the Bank was in compliance with all of OSFI's regulatory capital, leverage, and TLAC requirements.

Note 22 – Capital Disclosure (cont.)

Regulatory Capital[1], Leverage Ratio[1] and TLAC[2]

As at October 31	2024	2023
Capital		
CET1	19,321	16,920
Tier 1	22,470	20,068
Total	24,001	21,056
Risk-weighted assets	140,975	125,592
Total exposure	511,160	456,478
Capital ratios		
CET1	13.7 %	13.5 %
Tier 1	15.9 %	16.0 %
Total	17.0 %	16.8 %
Leverage ratio	4.4 %	4.4 %
Available TLAC	44,040	36,732
TLAC ratio	31.2 %	29.2 %
TLAC leverage ratio	8.6 %	8.0 %

[1] Capital, risk-weighted assets, total exposure, the capital ratios, and the leverage ratio are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline*.

[2] Available TLAC, the TLAC ratio, and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.

Note 23 – Trading Activity Revenues

Trading activity revenues consist of the net interest income and the non-interest income related to trading activities.

Net interest income comprises dividends related to financial assets and liabilities associated with trading activities and certain interest income related to the financing of these financial assets and liabilities, net of interest expenses.

Non-interest income consists of realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, changes in the fair value of loans at fair value through profit or loss, changes in the fair value of financial instruments designated at fair value through profit or loss, realized and unrealized gains and losses as well as interest expenses on obligations related to securities sold short, certain commission income as well as other income related to trading activities, and any applicable transaction costs.

Year ended October 31	2024	2023
Net interest income (loss) related to trading activity	(3,076)	(1,816)
Non-interest income related to trading activity		
Trading revenues (losses)	4,299	2,677
Other revenues	28	19
	4,327	2,696
Trading activity revenues	1,251	880

Note 24 – Share-Based Payments

The compensation expense information provided below excludes the impact of hedging.

Stock Option Plan

The Bank's Stock Option Plan is for officers and other designated persons of the Bank and its subsidiaries. Under this plan, options are awarded annually and provide participants with the right to purchase common shares at an exercise price equal to the closing price of the Bank's common share on the Toronto Stock Exchange on the day preceding the award. The options vest evenly over a four-year period and expire ten years from the award date or, in certain circumstances set out in the plan, within specified time limits. The Stock Option Plan contains provisions for retiring employees that allow the participant's rights to continue vesting in accordance with the stated terms of the award agreement. The maximum number of common shares that may be issued under the Stock Option Plan was 17,766,087 as at October 31, 2024 (20,063,688 as at October 31, 2023). The number of common shares reserved for a participant may not exceed 5% of the total number of Bank shares issued and outstanding.

As at October 31		2024		2023
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Stock Option Plan				
Outstanding at beginning	**11,546,688**	**$ 70.37**	11,861,749	$ 64.80
Awarded	**1,222,652**	**$ 94.08**	1,416,060	$ 94.05
Exercised	**(2,297,601)**	**$ 56.85**	(1,678,321)	$ 50.43
Cancelled[1]	**(28,680)**	**$ 86.83**	(52,800)	$ 87.49
Outstanding at end	**10,443,059**	**$ 76.08**	11,546,688	$ 70.37
Exercisable at end	**6,835,406**	**$ 67.88**	7,471,041	$ 61.18

[1] No expired options during the year ended October 31, 2024 (8,096 expired options during the year ended October 31, 2023).

Exercise price	Options	Options	Expiry date
$47.93	145,509	145,509	December 2024
$42.17	585,849	585,849	December 2025
$54.69	626,164	626,164	December 2026
$64.14	947,908	947,908	December 2027
$58.79	1,100,602	1,100,602	December 2028
$71.86	1,181,621	1,181,621	December 2029
$71.55	1,617,940	1,136,765	December 2030
$96.35	1,648,186	788,354	December 2031
$94.05	1,366,628	322,634	December 2032
$94.08	1,222,652	–	December 2033
	10,443,059	6,835,406	

During the year ended October 31, 2024, the Bank awarded 1,222,652 stock options (1,416,060 stock options during the year ended October 31, 2023) with an average fair value of $13.74 per option ($14.76 for the year ended October 31, 2023).

The average fair value of options awarded was estimated on the award date using the Black-Scholes model as well as the following assumptions.

Year ended October 31	**2024**	2023
Risk-free interest rate	**3.61%**	3.25%
Expected life of options	**7 years**	7 years
Expected volatility	**22.29%**	23.13%
Expected dividend yield	**4.62%**	4.23%

Note 24 – Share-Based Payments (cont.)

The expected life of the options is based on historical data and is not necessarily representative of how the options will be exercised in the future. Expected volatility is extrapolated from the implied volatility of the Bank's share price and observable market inputs, which are not necessarily representative of actual results. The expected dividend yield represents the annualized dividend divided by the Bank's share price at the award date. The risk-free interest rate is based on the Canadian dollar swap curve at the award date. The exercise price is equal to the Bank's share price at the award date. No other market parameter has been included in the fair value measurement of the options.

For the year ended October 31, 2024, a $17 million compensation expense related to this plan was recognized in the Consolidated Statement of Income ($18 million for the year ended October 31, 2023).

Stock Appreciation Rights (SAR) Plan

The SAR Plan is for officers and other designated persons of the Bank and its subsidiaries. Under this plan, participants receive, upon exercising the right, a cash amount equal to the difference between the closing price of the Bank's common share on the Toronto Stock Exchange on the day preceding the exercise date and the closing price on the day preceding the award date. SARs vest evenly over a four-year period and expire ten years after the award date or, in certain circumstances set out in the plan, within specified time limits. The SAR Plan contains provisions for retiring employees that allow the participant's rights to continue vesting in accordance with the stated terms of the award agreement. For the year ended October 31, 2024, a $6 million compensation expense related to this plan was recognized in the Consolidated Statement of Income (negligible amount for the year ended October 31, 2023).

As at October 31	2024		2023	
	Number of SARs	**Weighted average exercise price**	Number of SARs	Weighted average exercise price
SAR Plan[1]				
Outstanding at beginning	**185,672**	**$ 65.29**	207,841	$ 60.73
Awarded	**16,772**	**$ 94.08**	19,072	$ 94.05
Exercised	**(73,686)**	**$ 58.50**	(41,241)	$ 55.64
Outstanding at end	**128,758**	**$ 72.92**	185,672	$ 65.29
Exercisable at end	**79,324**	**$ 61.60**	124,531	$ 55.53

[1] No SARs cancelled or expired during the years ended October 31, 2024 and 2023.

Exercise price	SARs outstanding	SARs exercisable	Expiry date
$47.93	–	–	December 2024
$42.17	10,000	10,000	December 2025
$54.69	16,320	16,320	December 2026
$64.14	16,236	16,236	December 2027
$58.79	16,604	16,604	December 2028
$71.86	15,396	15,396	December 2029
$71.55	7,626	–	December 2030
$96.35	10,732	–	December 2031
$94.05	19,072	4,768	December 2032
$94.08	16,772	–	December 2033
	128,758	79,324	

Deferred Stock Unit (DSU) Plans

The DSU Plans are for officers and other designated persons of the Bank and its subsidiaries as well as for directors. These plans allow the Bank to tie a portion of the value of the compensation of participants to the future value of the Bank's common shares. A DSU is a right that has a value equal to the closing price of a common share of the Bank on the Toronto Stock Exchange on the day preceding the award. DSUs generally vest evenly over four years. Additional DSUs are credited to the accounts of participants in an amount equal to the dividends declared on Bank common shares and vest evenly over the same period as the reference DSUs. DSUs may be cashed only when participants retire or leave the Bank or, for directors, when their term ends. The DSU Plans contain provisions for retiring employees whereby participants may continue vesting all units in accordance with the stated terms of the award agreement.

During the year ended October 31, 2024, the Bank awarded 35,412 DSUs at a weighted average price of $101.48 (37,477 DSUs at a weighted average price of $97.45 for the year ended October 31, 2023). A total of 460,259 DSUs were outstanding as at October 31, 2024 (483,735 DSUs as at October 31, 2023). For the year ended October 31, 2024, a $26 million compensation expense related to these plans was recognized in the Consolidated Statement of Income ($3 million for the year ended October 31, 2023).

Restricted Stock Unit (RSU) Plan

The RSU Plan is for certain officers and other designated persons of the Bank and its subsidiaries. The objective of this plan is to ensure that the compensation of certain officers and other designated persons is competitive and to foster retention. An RSU represents a right that has a value equal to the average closing price of the Bank's common share, as published by the Toronto Stock Exchange, over the ten trading days preceding the sixth business day in December. RSUs generally vest evenly over three years, although some RSUs vest on the sixth business day of December of the third year following the award date, i.e., the date on which all RSUs expire. Additional RSUs are credited to the accounts of participants in an amount equal to the dividends declared on the Bank's common shares and vest over the same period as the reference RSUs. The RSU Plan contains provisions for retiring employees whereby participants may continue vesting units in accordance with the stated terms of the award agreement.

During the year ended October 31, 2024, the Bank awarded 2,133,400 RSUs at a weighted average price of $91.78 (2,058,936 RSUs at a weighted average price of $96.42 for the year ended October 31, 2023). As at October 31, 2024, a total of 4,645,753 RSUs were outstanding (4,382,431 RSUs as at October 31, 2023). For the year ended October 31, 2024, a $347 million compensation expense related to this plan was recognized in the Consolidated Statement of Income ($173 million for the year ended October 31, 2023).

Performance Stock Unit (PSU) Plan

The PSU Plan is for officers and other designated persons of the Bank. The objective of this plan is to tie a portion of the value of the compensation of these officers and other designated persons to the future value of the Bank's common shares. A PSU represents a right that has a value equal to the average closing price of the Bank's common share, as published by the Toronto Stock Exchange, over the ten trading days preceding the sixth business day in December, adjusted upward or downward according to performance criteria, which is based on the Bank's total shareholder return (TSR) growth index over three years compared to the average TSR growth index of the comparator group composed of Canadian banks over three years. PSUs vest on the sixth business day of December of the third year following the award date, i.e., the date on which all PSUs expire. Additional PSUs are credited to the accounts of participants in an amount equal to the dividends declared on the Bank's common shares and vest over the same period as the reference PSUs. The PSU Plan contains provisions for retiring employees whereby participants may continue vesting units in accordance with the stated terms of the award agreement.

During the year ended October 31, 2024, the Bank awarded 232,296 PSUs at a weighted average price of $91.78 (234,706 PSUs at a weighted average price of $96.42 for the year ended October 31, 2023). As at October 31, 2024, a total of 749,971 PSUs were outstanding (745,764 PSUs as at October 31, 2023). For the year ended October 31, 2024, a $50 million compensation expense related to this plan was recognized in the Consolidated Statement of Income ($27 million for the year ended October 31, 2023).

Deferred Compensation Plan

This plan is exclusively for key employees of the Wealth Management segment. The purpose of this plan is to foster the retention of key employees and promote revenue growth and continuous profitability improvement within the Wealth Management segment. Under this plan, participants can defer a portion of their annual compensation, and the Bank may pay a contribution to key employees when certain financial objectives are met. Amounts awarded by the Bank and the compensation deferred by participants are invested in, among other items, Bank common share units. These share units represent a right that has a value equal to the closing price of the Bank's common share on the Toronto Stock Exchange on the award date. Additional units are credited to the accounts of participants in an amount equal to the dividends declared on the Bank's common shares. Share units representing the amounts awarded by the Bank vest evenly over four years. When a participant retires, or in certain cases when the participant's employment ceases, the participant receives a cash amount representing the value of the vested share units.

During the year ended October 31, 2024, the Bank awarded 143,871 share units at a weighted average price of $105.53 (161,713 share units at a weighted average price of $94.90 for the year ended October 31, 2023). As at October 31, 2024, a total of 2,419,041 share units were outstanding (2,229,248 share units as at October 31, 2023). For the year ended October 31, 2024, a $123 million compensation expense related to this plan was recognized in the Consolidated Statement of Income ($3 million for the year ended October 31, 2023).

Employee Share Ownership Plan

Under the Bank's Employee Share Ownership Plan, employees who meet the eligibility criteria can contribute up to 8% of their annual gross salary by way of payroll deductions. The Bank matches 25% of the employee contribution up to a maximum of $1,500 per annum. Bank contributions vest to the employee after one year of uninterrupted participation in the plan. Subsequent contributions vest immediately. The Bank's contributions, amounting to $17 million for the year ended October 31, 2024 ($16 million for the year ended October 31, 2023), were recognized when paid in *Compensation and employee benefits* in the Consolidated Statement of Income. As at October 31, 2024, a total of 6,155,909 common shares were held for this plan (6,392,648 common shares as at October 31, 2023).

Plan shares are purchased on the open market and are considered to be outstanding for earnings per share calculations. Dividends paid on the Bank's common shares held for the Employee Share Ownership Plan are used to purchase other common shares on the open market.

Plan Liabilities and Intrinsic Value

Total liabilities arising from the Bank's share-based compensation plans amounted to $1,123 million as at October 31, 2024 ($686 million as at October 31, 2023). The intrinsic value of these liabilities that had vested as at October 31, 2024 was $571 million ($345 million as at October 31, 2023).

Note 25 – Employee Benefits – Pension Plans and Other Post-Employment Benefit Plans

The Bank offers pension plans that have a defined benefit component and a defined contribution component. The Bank also offers other post-employment benefit plans to eligible retirees. The defined benefit component of the pension plans provides benefits based on years of plan participation and average earnings at retirement. The other post-employment benefits include post-employment medical, dental, and life insurance coverage. Since September 19, 2022, the Bank has been offering a new defined contribution component that is available to all new employees upon hiring as well as to current participants of the defined benefit component. Therefore, as of that date, the defined benefit component is no longer offered to new employees. For the defined contribution component, the Bank's base contribution equals a percentage of annual salary and the Bank's additional contribution varies according to the employee's contributions, and the sum of the employee's age and years of continuous service. The defined benefit component of the pension plans is funded, whereas the defined contribution component and the other post-employment benefit plans are not funded. The fair value of the defined benefit component and the present value of the defined benefit obligations were measured as at October 31.

The Bank's most significant pension plan is the *Employee Pension Plan of the National Bank of Canada*; it is registered with OSFI and the Canada Revenue Agency and subject to the *Pension Benefits Standards Act, 1985* and the *Income Tax Act*.

The defined benefit component of the pension plans and the other post-employment benefit plans exposes the Bank to specific risks such as investment performance, changes to the discount rate used to calculate the obligation, the longevity of plan participants, and future inflation. While management believes that the assumptions used in the actuarial valuation process are reasonable, there remains a degree of risk and uncertainty that may cause future results to differ significantly from these assumptions, which could give rise to gains or losses.

According to the Bank's governance rules, the policies and risk management related to the defined benefit component of the pension plans are overseen at different levels by the pension committees, the Bank's management, and the Board's Human Resources Committee. The defined benefit component of the pension plans are examined on an ongoing basis in order to monitor the funding and investment policies, the financial status of the plans, and the Bank's funding requirements.

The Bank's funding policy for the defined benefit component of the pension plans is to make at least the minimum annual contributions required by pension regulators.

For funded plans, the Bank determines whether an economic benefit exists in the form of potential reductions in future contributions and in the form of refunds from the plan surplus, where permitted by applicable regulations and plan provisions.

Defined Benefit Obligation, Assets of the Plans, and Funded Status

As at October 31

	Pension plans – Defined benefit component		Other post-employment benefit plans	
	2024	2023	**2024**	2023
Defined benefit obligation				
Balance at beginning	**4,020**	3,971	**94**	111
Current service cost	**96**	92	**–**	–
Interest cost	**231**	218	**5**	6
Remeasurements				
Actuarial (gains) losses arising from changes in demographic assumptions	**–**	(40)	**–**	1
Actuarial (gains) losses arising from changes in financial assumptions	**541**	(163)	**8**	(3)
Actuarial (gains) losses arising from experience adjustments	**43**	71	**4**	(12)
Employee contributions	**73**	72		
Benefits paid	**(230)**	(201)	**(8)**	(9)
Balance at end	**4,774**	4,020	**103**	94
Plan assets				
Fair value at beginning	**4,376**	4,469		
Interest income	**247**	242		
Administration cost	**(3)**	(3)		
Remeasurements				
Return on plan assets (excluding interest income)	**711**	(329)		
Bank contributions[1]	**87**	126		
Employee contributions	**73**	72		
Benefits paid	**(230)**	(201)		
Fair value at end	**5,261**	4,376		
Defined benefit asset (liability) at end	**487**	356	**(103)**	(94)

[1] For fiscal 2025, the Bank expects to pay an employer contribution of $98 million to the defined benefit component of the pension plans.

Defined Benefit Asset (Liability)

As at October 31	Pension plans – Defined benefit component		Other post-employment benefit plans	
	2024	2023	**2024**	2023
Defined benefit asset included in *Other assets*	**487**	356		
Defined benefit liability included in *Other liabilities*	**–**	–	**(103)**	(94)
	487	356	**(103)**	(94)

Cost for Pension Plans and Other Post-Employment Benefit Plans

Year ended October 31	Pension plans		Other post-employment benefit plans	
	2024	2023	**2024**	2023
Current service cost	**96**	92	**–**	–
Interest expense (income), net	**(16)**	(24)	**5**	6
Administration costs	**3**	3		
Expense of the defined benefit component	**83**	71	**5**	6
Expense of the defined contribution component	**21**	11		
Expense recognized in *Net income*	**104**	82	**5**	6
Remeasurements[1]				
Actuarial (gains) losses on the defined benefit obligation	**584**	(132)	**12**	(14)
Return on plan assets[2]	**(711)**	329		
Remeasurements recognized in *Other comprehensive income*	**(127)**	197	**12**	(14)
	(23)	279	**17**	(8)

[1] Changes related to the discount rate and to the return on plan assets are reviewed and updated on a quarterly basis. All other assumptions are updated annually.
[2] Excludes interest income.

Allocation of the Fair Value of the Assets of the Defined Benefit Component of the Pensions Plans

As at October 31			**2024**			2023
	Quoted in an active market[1]	**Not quoted in an active market**	**Total**	Quoted in an active market[1]	Not quoted in an active market	Total
Asset classes						
Cash and cash equivalents	**–**	**120**	**120**	–	378	378
Equity securities	**432**	**1,450**	**1,882**	841	1,300	2,141
Debt securities						
Canadian government[2]	**(537)**	**2**	**(535)**	(237)	–	(237)
Canadian provincial and municipal governments	**–**	**3,333**	**3,333**	–	2,128	2,128
Other issuers	**–**	**403**	**403**	–	171	171
Other	**–**	**58**	**58**	–	(205)	(205)
	(105)	**5,366**	**5,261**	604	3,772	4,376

[1] Unadjusted quoted prices in active markets for identical assets that the Bank can access at the measurement date.
[2] Includes obligations related to securities sold short.

The Bank's investment strategy for plan assets considers several factors, including the time horizon of pension plan obligations and investment risk. For each plan, an allocation range per asset class is defined using a mix of equity and debt securities to optimize the risk-return profile of plan assets and minimize asset/liability mismatching.

The assets of the pension plans may include investment securities issued by the Bank. As at October 31, 2024 and 2023, the assets of the pension plans do not include any securities issued by the Bank.

For fiscal 2024, the Bank and its related entities received $19 million ($20 million in fiscal 2023) in fees from the pension plans for related management, administration, and custodial services.

Note 25 – Employee Benefits – Pension Plans and Other Post-Employment Benefit Plans (cont.)

Allocation of the Defined Benefit Obligation by the Status of the Participants in the Defined Benefit Component of the Pension Plans

As at October 31

	Pension plans – Defined benefit component		Other post-employment benefit plans	
	2024	2023	**2024**	2023
Active employees	**43 %**	41 %	**1 %**	3 %
Retirees	**52 %**	54 %	**99 %**	97 %
Participants with deferred vested benefits	**5 %**	5 %		
	100 %	100 %	**100 %**	100 %
Weighted average duration of the defined benefit obligation *(in years)*	**15**	14	**11**	10

Significant Actuarial Assumptions (Weighted Average)

Discount Rate

The discount rate assumption is based on an interest rate curve that represents the yields on corporate AA bonds. Short-term maturities are obtained using a curve based on observed data from corporate AA bonds. Long-term maturities are obtained using a curve based on actual data and extrapolated data.

To measure the obligation related to the defined benefit component of the pension plans and related to the other post-employment benefit plans, the vested benefits that the Bank expects to pay in each future period are discounted to the measurement date using the spot rate associated with each of the respective periods based on the yield curve derived using the above methodology. The sum of discounted benefit amounts represents the defined benefit obligation. An average discount rate that replicates this obligation is then computed.

To better reflect current service cost, a separate discount rate was determined to account for the timing of future benefit payments associated with the additional year of service to be earned by the plan's active participants. Since these benefits are, on average, being paid at a later date than the benefits already earned by participants as a whole (i.e., longer duration), this method results in the use of a generally higher discount rate for calculating current service cost than that used to measure obligations where the yield curve is positively sloped. The methodology used to determine this discount rate is the same as the one used to establish the discount rate for measuring the obligation.

Other Assumptions

For measurement purposes, the estimated annual growth rate for health care costs was 4.97% as at October 31, 2024 (4.94% as at October 31, 2023). Based on the assumption retained, this rate is expected to decrease gradually to 3.57% in 2044 and remain steady thereafter.

Mortality assumptions are a determining factor when measuring the defined benefit obligation. Determining the expected benefit payout period is based on best estimate assumptions regarding mortality. Mortality tables are reviewed at least once a year, and the assumptions made are in accordance with accepted actuarial practice. New results regarding the plans are reviewed and used in calculating best estimates of future mortality.

As at October 31

	Pension plans – Defined benefit component		Other post-employment benefit plans	
	2024	2023	**2024**	2023
Defined benefit obligation				
Discount rate	**4.85 %**	5.65 %	**4.85 %**	5.65 %
Rate of compensation increase	**4.00 %**	4.00 %	**2.00 %**	2.00 %
Health care cost trend rate			**4.97 %**	4.94 %
Life expectancy *(in years)* at 65 for a participant currently at				
Age 65				
Men	**22.5**	22.4	**22.5**	22.4
Women	**24.8**	24.8	**24.8**	24.8
Age 45				
Men	**23.5**	23.4	**23.5**	23.4
Women	**25.7**	25.7	**25.7**	25.7

Year ended October 31

	Pension plans – Defined benefit component		Other post-employment benefit plans	
	2024	2023	**2024**	2023
Pension plan expense				
Discount rate – Current service	**5.60 %**	5.45 %	**5.60 %**	5.45 %
Discount rate – Interest expense (income), net	**5.65 %**	5.45 %	**5.65 %**	5.45 %
Rate of compensation increase	**4.00 %**	4.00 %	**2.00 %**	2.00 %
Health care cost trend rate			**4.94 %**	4.77 %
Life expectancy *(in years)* at 65 for a participant currently at				
Age 65				
Men	**22.4**	22.4	**22.4**	22.4
Women	**24.8**	24.7	**24.8**	24.7
Age 45				
Men	**23.4**	23.4	**23.4**	23.4
Women	**25.7**	25.6	**25.7**	25.6

Sensitivity of Significant Assumptions for 2024

The following table shows the potential impacts of changes to key assumptions on the defined benefit obligation of the pension plans and other post-employment benefit plans as at October 31, 2024. These impacts are hypothetical and should be interpreted with caution, as changes in each significant assumption may not be linear.

As at October 31, 2024

	Pension plans – Defined benefit component	**Other post-employment benefit plans**
	Change in the obligation	**Change in the obligation**
Impact of a 0.25% increase in the discount rate	**(178)**	**(3)**
Impact of a 0.25% decrease in the discount rate	**188**	**3**
Impact of a 0.25% increase in the rate of compensation increase	**34**	
Impact of a 0.25% decrease in the rate of compensation increase	**(34)**	
Impact of a 1.00% increase in the health care cost trend rate		**3**
Impact of a 1.00% decrease in the health care cost trend rate		**(3)**
Impact of an increase in the age of participants by one year	**(107)**	**(1)**
Impact of a decrease in the age of participants by one year	**102**	**1**

Projected Benefit Payments

Year ended October 31

	Pension plans – Defined benefit component	Other post-employment benefit plans
2025	224	8
2026	233	8
2027	240	7
2028	247	7
2029	254	7
2030 to 2034	1,390	32

Note 26 – Income Taxes

The Bank's income tax expense reported in the Consolidated Financial Statements is as follows.

Year ended October 31	2024	2023[1]
Consolidated Statement of Income		
Current taxes		
Current year	**1,124**	772
Canada Recovery Dividend[2]	**–**	32
Change in income tax rate[2]	**–**	10
Prior period adjustments	**(25)**	48
	1,099	862
Deferred taxes		
Origination and reversal of temporary differences	**(133)**	(162)
Change in income tax rate[2]	**–**	(18)
Prior period adjustments	**(5)**	(63)
	(138)	(243)
	961	619
Consolidated Statement of Changes in Equity		
Share issuance expenses, other equity instruments and other	**(40)**	(23)
Impact of IFRS 17 adoption on November 1, 2022[3]	**–**	(18)
	(40)	(41)
Consolidated Statement of Comprehensive Income		
Remeasurements of pension plans and other post-employment benefit plans	**32**	(43)
Net change in cash flow hedges	**(86)**	44
Net fair value change attributable to credit risk on financial liabilities designated at fair value through profit or loss	**(135)**	(63)
Other	**(4)**	(9)
	(193)	(71)
Income taxes	**728**	507

The breakdown of the income tax expense is as follows.

Year ended October 31	2024	2023[1]
Current taxes	**849**	770
Deferred taxes	**(121)**	(263)
	728	507

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] During the year ended October 31, 2023, the Bank had recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to the 1.5% increase in the statutory tax rate, which included the impact related to current and deferred taxes for fiscal 2022.

[3] As at October 31, 2023, as a result of adjustments arising from the adoption of IFRS 17, an $18 million deferred tax asset has been recorded to *Retained earnings* in the Consolidated Statement of Changes in Equity. For additional information, see Note 2 to these Consolidated Financial Statements.

The temporary differences and tax loss carryforwards resulting in deferred tax assets and liabilities are as follows.

	As at October 31		Year ended October 31		Year ended October 31	
	Consolidated Balance Sheet		Consolidated Statement of Income		Consolidated Statement of Comprehensive Income	
	2024	2023[1]	**2024**	2023[1]	**2024**	2023
Deferred tax assets						
Allowances for credit losses	**410**	314	**96**	79	**–**	–
Deferred expenses	**501**	362	**139**	45	**–**	–
Defined benefit liability – Other post-employment benefit plans	**39**	36	**–**	2	**3**	(4)
Investments in associates	**–**	–	**–**	(23)	**–**	–
Leases liabilities	**95**	108	**(13)**	(10)	**–**	–
Deferred revenue	**111**	91	**20**	29	**–**	–
Tax loss carryforwards	**48**	50	**(2)**	15	**–**	–
Other items[2][3]	**43**	63	**(35)**	13	**(4)**	–
	1,247	1,024	**205**	150	**(1)**	(4)
Deferred tax liabilities						
Premises and equipment and intangible assets	**(233)**	(225)	**(8)**	87	**–**	–
Defined benefit asset – Pension plans	**(126)**	(89)	**–**	(3)	**(37)**	41
Investments in associates	**(14)**	(12)	**(2)**	(2)	**–**	(8)
Other items	**(115)**	(60)	**(57)**	11	**2**	(27)
	(488)	(386)	**(67)**	93	**(35)**	6
Net deferred tax assets (liabilities)	**759**	638	**138**	243	**(36)**	2

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.
[2] As at October 31, 2024, the Consolidated Balance Sheet included a $29 million deferred tax asset related to the outstanding stock options considered as non-qualified securities for the purpose of the *Income tax act*. For the year ended October 31, 2024, a tax saving of $19 million is recorded under *Contributed surplus* in the Consolidated Statement of Changes in Equity.
[3] As at October 31, 2023, as a result of adjustments arising from the adoption of IFRS 17, a $32 million deferred tax asset has been recorded, of which $18 million was to *Retained earnings* in the Consolidated Statement of Changes in Equity and $14 million *to Income taxes* in the Consolidated Statement of Income. For additional information, see Note 2 to these Consolidated Financial Statements.

Net deferred tax assets are included in *Other assets* and net deferred tax liabilities are included in *Other liabilities*.

As at October 31	**2024**	2023[1]
Deferred tax assets	**828**	666
Deferred tax liabilities	**(69)**	(28)
	759	638

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

According to forecasts, which are based on information available as at October 31, 2024, the Bank believes that the results of future operations will likely generate sufficient taxable income to utilize all the deferred tax assets before they expire.

As at October 31, 2024, the total amount of temporary differences, unused tax loss carryforwards, and unused tax credits for which no deferred tax asset has been recognized was $547 million ($536 million as at October 31, 2023).

As at October 31, 2024, the total amount of temporary differences related to investments in subsidiaries, associates, and joint ventures for which no deferred tax liability has been recognized was $7,626 million ($5,762 million as at October 31, 2023).

Note 26 – Income Taxes (cont.)

The following table provides a reconciliation of the Bank's income tax rate.

Year ended October 31		2024		2023[1]
	$	%	$	%
Income before income taxes	**4,777**	**100.0**	3,908	100.0
Income taxes at Canadian statutory income tax rate	**1,338**	**28.0**	1,094	28.0
Reduction in income tax rate due to				
Tax-exempt income from securities	**(141)**	**(3.0)**	(310)	(7.8)
Non-taxable portion of capital gains	**–**	**–**	(1)	–
Impact of enacted tax measures[2]	**–**	**–**	24	0.6
Tax rates of subsidiaries, foreign entities and associates	**(238)**	**(5.0)**	(178)	(4.5)
Other items	**2**	**–**	(10)	(0.3)
	(377)	**(8.0)**	(475)	(12.0)
Income taxes reported in the Consolidated Statement of Income and effective income tax rate	**961**	**20.0**	619	16.0

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] During the year ended October 31, 2023, the Bank had recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to the 1.5% increase in the statutory tax rate, which included the impact related to current and deferred taxes for fiscal 2022.

Notice of Assessment

In April 2024, the Bank was reassessed by the Canada Revenue Agency (CRA) for additional income tax and interest of approximately $110 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2019 taxation year.

In prior fiscal years, the Bank had been reassessed for additional income tax and interest of approximately $965 million (including provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2012-2018 taxation years.

In the reassessments, the CRA alleges that the dividends were received as part of a "dividend rental arrangement".

In October 2023, the Bank filed a notice of appeal with the Tax Court of Canada, and the matter is now in litigation. The CRA may issue reassessments to the Bank for taxation years subsequent to 2019 in regard to certain activities similar to those that were the subject of the above-mentioned reassessments. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the Consolidated Financial Statements as at October 31, 2024.

Canadian Government's 2022 Tax Measures

On November 4, 2022, the Government of Canada introduced Bill C-32 – *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022* to implement tax measures applicable to certain entities of banking and life insurer groups, as presented in its April 7, 2022 budget. These tax measures included the Canada Recovery Dividend (CRD), which is a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as a 1.5% increase in the statutory tax rate. On December 15, 2022, Bill C-32 received royal assent. Given that these tax measures had been enacted as at January 31, 2023, a $32 million tax expense for the CRD and an $8 million tax recovery for the tax rate increase, including the impact related to current and deferred taxes for fiscal 2022, were recognized in the Consolidated Financial Statements during the year ended October 31, 2023.

Other Tax Measures

On November 30, 2023, the Government of Canada introduced Bill C-59 – *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023* to implement tax measures applicable to the Bank. The measures include the denial of the deduction in respect of dividends received after 2023 on shares that are mark-to-market property for tax purposes (except for dividends received on "taxable preferred shares" as defined in the *Income Tax Act*), as well as the application of a 2% tax on the net value of equity repurchases occurring as of January 1, 2024. On June 20, 2024, Bill C-59 received royal assent and these tax measures were enacted at the reporting date. The Consolidated Financial Statements reflect the denial of the deduction in respect of the dividends covered by Bill C-59 since January 1, 2024.

On May 2, 2024, the Government of Canada introduced Bill C-69 – *An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024*. The bill includes the Pillar 2 rules (global minimum tax) published by the Organisation for Economic Co-operation and Development (OECD) that will apply to fiscal years beginning on or after December 31, 2023 (November 1, 2024 for the Bank). On June 20, 2024, Bill C-69 received royal assent. To date, the Pillar 2 rules have been included in a bill or enacted in certain jurisdictions where the Bank operates. The Pillar 2 rules do not apply to this fiscal year. The Bank is still assessing its income tax exposure arising from these rules but estimates that the impact on its effective income tax rate would be an increase of approximately 1% to 2%. During the years ended October 31, 2024 and 2023, the Bank applied the exception to the recognition and disclosure of information of deferred tax assets and liabilities arising from the Pillar 2 rules in the jurisdictions where they have been included in a bill or enacted.

Note 27 – Earnings Per Share

Diluted earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding after taking into account the dilution effect of stock options using the treasury stock method and any gain (loss) on the redemption of preferred shares.

Year ended October 31	2024	2023[1]
Basic earnings per share		
Net income attributable to the Bank's shareholders and holders of other equity instruments	**3,817**	3,291
Dividends on preferred shares and distributions on other equity instruments	**154**	141
Net income attributable to common shareholders	**3,663**	3,150
Weighted average basic number of common shares outstanding *(thousands)*	**339,733**	337,660
Basic earnings per share *(dollars)*	**10.78**	9.33
Diluted earnings per share		
Net income attributable to common shareholders	**3,663**	3,150
Weighted average basic number of common shares outstanding *(thousands)*	**339,733**	337,660
Adjustment to average number of common shares *(thousands)*		
Stock options[2]	**3,106**	3,108
Weighted average diluted number of common shares outstanding *(thousands)*	**342,839**	340,768
Diluted earnings per share *(dollars)*	**10.68**	9.24

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] For the years ended October 31, 2024 and 2023, given that the exercise price of the options was lower than the average price of the Bank's common shares, no options were excluded from the diluted earnings per share calculation.

Note 28 – Guarantees, Commitments and Contingent Liabilities

Guarantees

The maximum potential amount of future payments represents the maximum risk of loss if there were a total default by the guaranteed parties, without consideration of recoveries under recourse provisions or insurance policies or from collateral held or pledged. The maximum potential amount of future payments under significant guarantees issued by the Bank is presented in the following table.

As at October 31	**2024**	2023
Letters of guarantee[(1)]	**9,302**	8,339
Backstop liquidity, credit enhancement facilities and other[(1)]	**11,065**	10,101
Securities lending	**59**	147

(1) For additional information on allowances for credit losses related to off-balance-sheet commitments, see Note 8 to these Consolidated Financial Statements.

Letters of Guarantee

In the normal course of business, the Bank issues letters of guarantee. These letters of guarantee represent irrevocable commitments that the Bank will make payments in the event that a client cannot meet its obligations to third parties. The Bank's policy for requiring collateral security with respect to letters of guarantee is similar to that for loans. Generally, the term of these letters of guarantee is less than two years.

Backstop Liquidity and Credit Enhancement Facilities

Facilities to Multi-Seller Conduits

The Bank administers multi-seller conduits that purchase financial assets from clients and finance those purchases by issuing asset-backed commercial paper. The Bank provides backstop liquidity facilities to these multi-seller conduits. As at October 31, 2024, the notional amount of the global-style backstop liquidity facilities totalled $5.5 billion ($4.6 billion as at October 31, 2023), representing the total amount of commercial paper outstanding.

These backstop liquidity facilities can be drawn if the conduits are unable to access the commercial paper market, even if there is no general market disruption. These facilities have terms of less than one year and can be periodically renewed. The terms and conditions of these backstop liquidity facilities do not require the Bank to advance money to the conduits if the conduits are insolvent or involved in bankruptcy proceedings or to fund non-performing assets beyond the amount of the available credit enhancements. The backstop liquidity facilities provided by the Bank have not been drawn to date.

The Bank also provides credit enhancement facilities to these multi-seller conduits. These facilities have terms of less than one year and are automatically renewable unless the Bank sends a non-renewal notice. As at October 31, 2024 and 2023, the committed notional value for these facilities was $30 million. To date, the credit enhancement facilities provided by the Bank have not been drawn.

The maximum risk of loss for the Bank cannot exceed the total amount of commercial paper outstanding, i.e., $5.6 billion as at October 31, 2024 ($4.6 billion as at October 31, 2023). As at October 31, 2024, the Bank held $63 million ($67 million as at October 31, 2023) of this commercial paper and, consequently, the maximum potential amount of future payments, taking into account the credit enhancement facilities, was $5.5 billion ($4.5 billion as at October 31, 2023).

CDCC Overnight Liquidity Facility

Canadian Derivatives Clearing Corporation (CDCC) acts as a central clearing counterparty for multiple financial instrument transactions in Canada. Certain fixed-income clearing members of CDCC have provided an equally shared committed and uncommitted global overnight liquidity facility for the purpose of supporting CDCC in its clearing activities of securities purchased under reverse repurchase agreements or sold under repurchase agreements. The objective of this facility is to maintain sufficient liquidity in the event of a clearing member's default. As a fixed-income clearing member providing support to CDCC, the Bank provided a liquidity facility. As at October 31, 2024, the notional amount of the overnight uncommitted liquidity facility amounted to $5.6 billion ($5.6 billion as at October 31, 2023). As at October 31, 2024 and 2023, no amount had been drawn.

Securities Lending

Under securities lending agreements that the Bank has entered into with certain clients who have entrusted it with the safekeeping of their securities, the Bank lends the securities to third parties and indemnifies its clients in the event of loss. To protect itself against any contingent loss, the Bank obtains, as security from the borrower, a cash amount or extremely liquid marketable securities with a fair value greater than that of the securities loaned. No amount has been recognized in the Consolidated Balance Sheet with respect to potential indemnities resulting from securities lending agreements.

Other Indemnification Agreements

In the normal course of business, including securitization transactions and discontinuances of businesses and operations, the Bank enters into numerous contractual agreements under which it undertakes to compensate the counterparty for costs incurred as a result of litigation, changes in laws and regulations (including tax legislation), claims with respect to past performance, incorrect representations or the non-performance of certain restrictive covenants. The Bank also undertakes to indemnify any person acting as a director or officer or performing a similar function within the Bank or one of its subsidiaries or another entity, at the request of the Bank, for all expenses incurred by that person in proceedings or investigations to which he or she is party in that capacity. Moreover, as a member of a securities transfer network and pursuant to the membership agreement and the regulations governing the operation of the network, the Bank granted collateral in favour of the Bank of Canada to guarantee any obligation of the Bank towards the Bank of Canada that could result from the Bank's participation in the securities transfer network. The durations of the indemnification agreements vary according to circumstance; as at October 31, 2024 and 2023, given the nature of the agreements, the Bank is unable to make a reasonable estimate of the maximum potential liability it could be required to pay to counterparties. No amount related to these agreements has been recognized in the Consolidated Balance Sheet.

Commitments

Credit Instruments

In the normal course of business, the Bank enters into various off-balance-sheet commitments. The credit instruments used to meet the financing needs of its clients represent the maximum amount of additional credit that the Bank could be obligated to extend if the commitments were fully drawn.

As at October 31	**2024**	2023
Letters of guarantee[1]	**9,302**	8,339
Documentary letters of credit[2]	**158**	157
Credit card receivables[3]	**10,515**	9,802
Commitments to extend credit[3]	**100,280**	90,706

[1] See *Letters of Guarantee* on the previous page.
[2] Documentary letters of credit are documents issued by the Bank and used in international trade to enable a third party to present a payment request to the Bank for up to an amount established under specific terms and conditions; these instruments are collateralized by the delivery of the goods to which they are related.
[3] Credit card receivables and commitments to extend credit represent unused portions of authorizations to extend credit, under certain conditions, in the form of loans or bankers' acceptances.

Financial Assets Received as Collateral

As at October 31, 2024, the fair value of financial assets received as collateral that the Bank was authorized to sell or repledge was $117.9 billion ($87.9 billion as at October 31, 2023). Given their characteristics, these financial assets received as collateral are held in a portfolio of liquid assets and consist of securities related to securities financing and derivative transactions as well as securities purchased under reverse repurchase agreements and securities borrowed.

Other Commitments

The Bank acts as an investor in investment banking activities whereby it enters into agreements to finance external private equity funds and investments in equity and debt securities at market value at the time the agreements are signed. In connection with these activities, the Bank had commitments to invest up to $161 million as at October 31, 2024 ($127 million as at October 31, 2023). In addition, through one of its subsidiaries, the Bank purchases retail loans originated by other financial institutions at market value at the time of purchase. As at October 31, 2024, the Bank had commitments to purchase loans of $148 million (negligible amount as at October 31, 2023).

Pledged Assets

In the normal course of business, the Bank pledges securities and other assets as collateral. A breakdown of encumbered assets pledged as collateral is provided in the following table. These transactions are concluded in accordance with standard terms and conditions.

As at October 31	**2024**	2023
Assets pledged to		
Bank of Canada	**333**	300
Direct clearing organizations[1]	**15,391**	3,046
Assets pledged in relation to		
Derivative financial instrument transactions	**165**	6,628
Borrowing, securities lending and securities sold under reverse repurchase agreements	**41,669**	85,673
Securitization transactions	**28,230**	25,088
Covered bonds[2]	**12,514**	12,120
Other	**2,377**	752
Total	**100,679**	133,607

[1] Includes assets pledged as collateral for activities in the systemically important payment system (designated as Lynx) as at October 31, 2024 and 2023.
[2] The Bank has a covered bond program. For additional information, see Notes 14 and 29 to these Consolidated Financial Statements.

Note 28 – Guarantees, Commitments and Contingent Liabilities (cont.)

Contingent Liabilities

Litigation
In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios, and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions, or other legal remedies of varied natures.

More specifically, the Bank is involved as a defendant in class actions instituted by consumers contesting, *inter alia*, certain transaction fees or who wish to avail themselves of certain legislative provisions relating to consumer protection. The recent developments in the main legal proceeding involving the Bank are as follows:

Defrance
On January 21, 2019, the Quebec Superior Court authorized a class action against the National Bank and several other Canadian financial institutions. The originating application was served to the Bank on April 23, 2019. The class action was initiated on behalf of consumers residing in Quebec. The plaintiffs allege that non-sufficient funds charges, billed by all of the defendants when a payment order is refused due to non-sufficient funds, are illegal and prohibited by the *Consumer Protection Act*. The plaintiffs are claiming, in the form of damages, the repayment of these charges as well as punitive damages.

It is impossible to determine the outcome of the claims instituted or which may be instituted against the Bank and its subsidiaries. The Bank estimates, based on the information at its disposal, that while the amount of contingent liabilities pertaining to these claims, taken individually or in the aggregate, could have a material impact on the Bank's consolidated results of operations for a particular period, it would not have a material adverse impact on the Bank's consolidated financial position.

Note 29 – Structured Entities

A structured entity is an entity created to accomplish a narrow and well-defined objective and is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements. Structured entities are assessed for consolidation in accordance with the accounting treatment described in Note 1 to these Consolidated Financial Statements. The Bank's maximum exposure to loss resulting from its interests in these structured entities consists primarily of the investments in these entities, the fair value of derivative financial instrument contracts entered into with them, and the backstop liquidity and credit enhancement facilities granted to certain structured entities.

In the normal course of business, the Bank may enter into financing transactions with third-party structured entities, including commercial loans, reverse repurchase agreements, prime brokerage margin lending, and similar collateralized lending transactions. While such transactions expose the Bank to the counterparty credit risk of the structured entities, this exposure is mitigated by the collateral related to these transactions. The Bank typically has neither power nor significant variable returns resulting from financing transactions with structured entities and does not consolidate such entities. Financing transactions with third-party-sponsored structured entities are included in the Bank's Consolidated Financial Statements and are not included in the table accompanying this note on the next page.

Non-Consolidated Structured Entities
Multi-Seller Conduits
The Bank administers multi-seller conduits that purchase financial assets from clients and finance those purchases by issuing commercial paper backed by the assets acquired. Clients use these multi-seller conduits to diversify their funding sources and reduce borrowing costs, while continuing to manage the financial assets and providing some amount of first-loss protection. Notes issued by the conduits and held by third parties provide additional credit loss protection. The Bank acts as a financial agent and provides these conduits with administrative and transaction structuring services as well as backstop liquidity and credit enhancement facilities under the commercial paper program. These facilities are presented and described in Note 28. The Bank has concluded derivative financial instrument contracts with these conduits, the fair value of which is presented in the Bank's Consolidated Balance Sheet. Although the Bank has the ability to direct the relevant activities of these conduits, it cannot use its power to affect the amount of the returns it obtains, as it acts as an agent. Consequently, the Bank does not control these conduits and does not consolidate them.

Investment Funds
The Bank enters into derivative or other financial instrument contracts with third parties to provide them with the desired exposure to certain investment funds. The Bank economically hedges the risks related to these derivatives by investing in those investment funds. The Bank can also hold economic interests in certain investment funds as part of its investing activities. In addition, the Bank is sponsor and investment manager of mutual funds in which it has insignificant or no interest. The Bank does not control the funds where its holdings are not significant given that, in these circumstances, the Bank either acts only as an agent or does not have any power over the relevant activities. In both cases, it does not have significant exposure to the variable returns of the funds. Therefore, the Bank does not consolidate these funds.

Private Investments

The Bank invests in several limited liability partnerships and other incorporated entities. These investment companies in turn invest in operating companies with a view to reselling these investments at a profit over the medium or long term. The Bank does not intervene in the operations of these entities; its only role is that of an investor. Consequently, it does not control these companies and does not consolidate them.

Third-Party Structured Entities

The Bank has invested in third-party structured entities, some of which are asset-backed. The underlying assets consist of residential mortgages, consumer loans, equipment loans, leases, and securities. The Bank does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income and dividend income from its investments. Consequently, the Bank does not control these structured entities and does not consolidate them.

The following table presents the carrying amounts of the assets and liabilities relating to the Bank's interests in non-consolidated structured entities, the Bank's maximum exposure to loss from these interests, as well as the total assets of these structured entities. The structured entity Canada Housing Trust is not presented. For additional information, see Note 9 to these Consolidated Financial Statements.

				As at October 31, 2024
	Multi-seller conduits[1]	Investment funds[2]	Private investments[3]	Third-party structured entities[4]
Assets in the Consolidated Balance Sheet				
Securities at fair value through profit or loss	**63**	**174**	**73**	**–**
Securities at amortized cost	**–**	**–**	**–**	**1,687**
Derivative financial instruments	**–**	**–**	**–**	**24**
	63	**174**	**73**	**1,711**
As at October 31, 2023	67	1,042	92	3,447
Liabilities in the Consolidated Balance Sheet				
Derivative financial instruments	**(13)**	**–**	**–**	**(4)**
	(13)	**–**	**–**	**(4)**
As at October 31, 2023	(82)	–	–	(90)
Maximum exposure to loss				
Securities	**63**	**174**	**73**	**1,711**
Liquidity, credit enhancement facilities and commitments	**5,513**	**–**	**–**	**438**
	5,576	**174**	**73**	**2,149**
As at October 31, 2023	4,616	1,042	92	3,916
Total assets of structured entities	**5,553**	**1,266**	**390**	**6,418**
As at October 31, 2023	4,587	2,583	651	11,390

(1) The main underlying assets, located in Canada, are residential mortgages, automobile loans, automobile inventory financings, and other receivables. As at October 31, 2024, the notional committed amount of the global-style liquidity facilities totalled $5.6 billion ($4.6 billion as at October 31, 2023), representing the total amount of commercial paper outstanding. The Bank also provides series-wide credit enhancement facilities for a notional committed amount of $30 million ($30 million as at October 31, 2023). The maximum exposure to loss cannot exceed the amount of commercial paper outstanding. As at October 31, 2024, the Bank held $63 million in commercial paper ($67 million as at October 31, 2023) and, consequently, the maximum potential amount of future payments as at October 31, 2024 was limited to $5.5 billion ($4.5 billion as at October 31, 2023), which represents the undrawn liquidity and credit enhancement facilities.

(2) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.

(3) The underlying assets are private investments. The amount of total assets of the structured entities corresponds to the amount for the most recent available period.

(4) The underlying assets are residential mortgages, consumer loans, equipment loans, leases, and securities.

Consolidated Structured Entities

Securitization Entity for the Bank's Credit Card Receivables

In April 2015, the Bank set up Canadian Credit Card Trust II (CCCT II) to continue its credit card securitization program on a revolving basis and to use the entity for capital management and funding purposes.

The Bank provides first-loss protection against the losses, since it retains the excess spread from the portfolio of sold receivables. The excess spread represents the residual net interest income after all the expenses related to this structure have been paid. The Bank also provides second-loss protection as it holds subordinated notes issued by CCCT II. In addition, the Bank acts as an administrative agent and servicer and as such is responsible for the daily administration and management of CCCT II's credit card receivables. The Bank therefore has the ability to direct the relevant activities of CCCT II and can exercise its power to affect the amount of returns it obtains. Consequently, the Bank controls CCCT II and consolidates it.

Multi-Seller Conduit

The Bank administers a multi-seller conduit that purchases various financial assets from clients and finances those purchases by issuing debt securities (including commercial paper) backed by the assets acquired. The clients use this multi-seller conduit to diversify their funding sources and reduce borrowing costs, while continuing to manage the financial assets and providing some amount of first-loss protection. The Bank holds the sole note issued by the conduit and has concluded a derivative financial instrument contract with the conduit. The Bank controls the relevant activities of this conduit through its involvement as a financial agent, agent for administrative and transaction structuring services as well as investor in the conduit's sole note. The Bank's functions and investment in the conduit confer to it decision-making power over the composition of assets acquired by the conduit and the selection of the seller as well as some exposure to the conduit's variable returns. Therefore, the Bank consolidates this conduit.

Note 29 – Structured Entities (cont.)

Investment Funds

The Bank enters into derivative or other financial instrument contracts with third parties to provide them with the desired exposure to certain investment funds. The Bank economically hedges the risks related to these derivatives by investing in those investment funds. The Bank can also hold economic interests in certain investment funds as part of its investing activities. The Bank controls the relevant activities of certain funds through its involvement as an investor and its significant exposure to their variable returns. Therefore, the Bank consolidates these funds.

Covered Bonds

NBC Covered Bond Guarantor (Legislative) Limited Partnership

In December 2013, the Bank established the covered bond legislative program under which covered bonds are issued. It therefore created NBC Covered Bond Guarantor (Legislative) Limited Partnership (the Guarantor) to guarantee payment of the principal and interest owed to the bondholders. The Bank sold uninsured residential mortgages to the Guarantor and granted it loans to facilitate the acquisition of these assets. The Bank acts as manager of the partnership and has decision-making authority over its relevant activities in accordance with the contractual terms governing the covered bond legislative program. In addition, the Bank is able, in accordance with the contractual terms governing the covered bond legislative program, to affect the variable returns of the partnership, which are directly related to the return on the mortgage loan portfolio and the interest on the loans from the Bank. Consequently, the Bank controls the partnership and consolidates it.

Third-Party Structured Entities

In 2018, the Bank, through one of its subsidiaries, provided financing to a third-party structured entity in exchange for a 100% interest in a loan portfolio, the sole asset held by that entity. The Bank controls and therefore consolidates the structured entity, as it has the ability to direct the entity's relevant activities through its involvement in the decision-making process. The Bank is also exposed to the entity's variable returns.

The following table presents the Bank's investments and other assets in the consolidated structured entities as well as the total assets of these entities.

As at October 31		2024		2023
	Investments and other assets	**Total assets**[1]	Investments and other assets	Total assets[1]
Consolidated structured entities				
Securitization entity for the Bank's credit card receivables[2][3]	**3,176**	**3,243**	2,176	2,272
Multi-seller conduit[4]	**2,022**	**2,022**	1,655	1,655
Investment funds[5]	**47**	**47**	26	26
Covered bonds[6]	**21,779**	**22,288**	20,458	20,869
Third-party structured entities[7]	**124**	**124**	147	147
	27,148	**27,724**	24,462	24,969

[1] There are restrictions, arising essentially from regulatory requirements, corporate or securities laws, and contractual arrangements, that limit the ability of some of the Bank's consolidated structured entities to transfer funds to the Bank.

[2] The underlying assets are credit card receivables.

[3] The Bank's investment is presented net of third-party holdings.

[4] The underlying assets, located in Canada, are mainly residential mortgages.

[5] The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.

[6] The underlying assets are uninsured residential mortgage loans of the Bank. The average maturity of these underlying assets is two years. As at October 31, 2024, the total amount of transferred mortgage loans was $21.9 billion ($20.6 billion as at October 31, 2023), and the total amount of covered bonds of $11.4 billion was recognized in *Deposits* in the Consolidated Balance Sheet ($10.9 billion as at October 31, 2023). For additional information, see Note 14 to these Consolidated Financial Statements.

[7] The underlying assets consist of a loan portfolio.

Note 30 – Related Party Disclosures

In the normal course of business, the Bank provides various banking services to related parties and enters into contractual agreements and other operations with related parties. The Bank considers the following to be related parties:

- its key officers and directors and members of their immediate family, i.e., spouses and children under 18 living in the same household;
- entities over which its key officers and directors and their immediate family have control or significant influence through their significant voting power;
- the Bank's associates and joint ventures;
- the Bank's pension plans (for additional information, see Note 25 to these Consolidated Financial Statements).

According to the established definition, the Bank's key officers are those persons having authority and responsibility for planning, directing, and controlling the Bank's activities, directly or indirectly.

Related Party Transactions

As at October 31

	Key officers and directors[1]		Related entities	
	2024	2023	**2024**	2023
Assets				
Mortgage loans and other loans	**21**	24	**60** [2]	223 [2]
Liabilities				
Deposits	**47**	45	**559** [3]	230 [3]
Other	**–**	–	**2**	3

[1] As at October 31, 2024, key officers and directors and their immediate family members were holding $38 million of the Bank's common and preferred shares ($28 million as at October 31, 2023).

[2] As at October 31, 2024, mortgage loans and other loans consisted of: (i) no amount in loans to the Bank's associates ($7 million as at October 31, 2023) and (ii) $60 million in loans to entities over which the Bank's key officers or directors or their immediate family members exercise control or significant influence through significant voting power ($216 million as at October 31, 2023).

[3] As at October 31, 2024, deposits consisted of: (i) no amount in deposits to the Bank's associates ($1 million as at October 31, 2023) and (ii) $559 million in deposits from entities over which the Bank's key officers or directors and their immediate family members exercise control or significant influence through significant voting power ($229 million as at October 31, 2023).

The contractual agreements and other transactions with related entities as well as with directors and key officers are entered into under conditions similar to those offered to non-related third parties. These agreements did not have a significant impact on the Bank's results. The Bank also offers a deferred stock unit plan to directors who are not Bank employees. For additional information, see Notes 10, 24 and 29 to these Consolidated Financial Statements.

Compensation of Key Officers and Directors

Year ended October 31	**2024**	2023[1]
Compensation and other short-term and long-term benefits	**28**	26
Share-based payments	**27**	28

[1] The amounts as at October 31, 2023 have been revised compared to those previously presented.

Note 30 – Related Party Disclosures (cont.)

Principal Subsidiaries of the Bank[1]

As at October 31, 2024

Name	Business activity	Principal office address[2]	Voting shares[3]	Investment at cost
Canada and United States				
National Bank Acquisition Holding Inc.	Holding company	Montreal, Canada	100%	1,257
National Bank Financial Inc.	Investment dealer	Montreal, Canada	100%	
NBF International Holdings Inc.	Holding company	Montreal, Canada	100%	
National Bank of Canada Financial Group Inc.	Holding company	New York, NY, United States	100%	
Credigy Ltd.	Holding company	Atlanta, GA, United States	100%	
National Bank of Canada Financial Inc.	Investment dealer	New York, NY, United States	100%	
National Bank Investments Inc.	Mutual funds dealer	Montreal, Canada	100%	
National Bank Life Insurance Company	Insurance	Montreal, Canada	100%	
Natcan Trust Company	Trustee	Montreal, Canada	100%	
National Bank Trust Inc.	Trustee	Montreal, Canada	100%	195
National Bank Realty Inc.	Real estate	Montreal, Canada	100%	80
NatBC Holding Corporation	Holding company	Hollywood, FL, United States	100%	44
Natbank, National Association	Commercial bank	Hollywood, FL, United States	100%	
Flinks Technology Inc.	Information technology	Montreal, Canada	97%	150
Other countries				
Natcan Global Holdings Ltd.	Holding company	Sliema, Malta	100%	22
NBC Global Finance Limited	Investment services	Dublin, Ireland	100%	
NBC Financial Markets Asia Limited	Investment dealer	Hong Kong, China	100%	5
Advanced Bank of Asia Limited	Commercial bank	Phnom Penh, Cambodia	100%	1,241
ATA IT Ltd.	Information technology	Bangkok, Thailand	100%	3
Natcan Insurance Company SCC	Insurance	Bridgetown, Barbados	100%	87
NBC Paris S.A.	Investment services	Paris, France	100%	4

[1] Excludes consolidated structured entities. For additional information, see Note 29 to these Consolidated Financial Statements.

[2] All subsidiaries were founded or incorporated under the laws of the state, province or country where their principal office is located, except for National Bank of Canada Financial Group Inc., National Bank of Canada Financial Inc. and NatBC Holding Corporation, which were incorporated under the laws of the State of Delaware, United States, and Credigy Ltd., which was incorporated under the laws of the State of Nevada, United States.

[3] The Bank's percentage of voting rights in these subsidiaries.

Note 31 – Financial Instruments Risk Management

The Bank is exposed to credit risk, market risk, and liquidity and funding risk. The Bank's objectives, policies, and procedures for managing risk and the risk measurement methods are presented in the Risk Management section of the MD&A for the year ended October 31, 2024. Text in grey shading and tables identified with an asterisk (*) in the Risk Management section of the MD&A for the year ended October 31, 2024 are integral parts of these Consolidated Financial Statements.

Residual Contractual Maturities of Balance Sheet Items and Off-Balance-Sheet Commitments

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at October 31, 2024 and 2023. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk nor its liquidity risk and funding needs. The Bank considers factors other than contractual maturity when assessing liquid assets or determining expected future cash flows.

In the normal course of business, the Bank enters into various off-balance-sheet commitments. The credit instruments used to meet the funding needs of its clients represent the maximum amount of additional credit that the Bank could be obligated to extend if the commitments were fully drawn.

The Bank also has future minimum commitments under leases for premises as well as under other contracts, mainly commitments to purchase loans and contracts for outsourced information technology services. Most of the lease commitments are related to operating leases.

									As at October 31, 2024	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	20,300	868	458	395	146	–	–	–	9,382	31,549
Securities										
At fair value through profit or loss	155	179	692	1,173	1,691	4,018	10,420	9,930	87,677	115,935
At fair value through other comprehensive income	14	97	263	33	34	2,863	5,688	4,964	666	14,622
At amortized cost	232	756	545	931	629	2,748	7,170	1,597	–	14,608
	401	1,032	1,500	2,137	2,354	9,629	23,278	16,491	88,343	145,165
Securities purchased under reverse repurchase agreements and securities borrowed	5,525	2,900	2,222	881	–	696	–	–	4,041	16,265
Loans[1]										
Residential mortgage	1,901	2,012	3,466	4,431	4,762	23,671	44,223	9,993	550	95,009
Personal	861	865	1,648	1,843	1,890	7,957	12,050	6,086	13,683	46,883
Credit card									2,761	2,761
Business and government	12,533	5,621	4,733	4,747	5,588	10,704	18,364	6,545	30,885	99,720
Allowances for credit losses									(1,341)	(1,341)
	15,295	8,498	9,847	11,021	12,240	42,332	74,637	22,624	46,538	243,032
Other										
Derivative financial instruments	2,619	1,950	1,187	643	375	1,707	1,576	2,252	–	12,309
Investments in associates and joint ventures									40	40
Premises and equipment									1,868	1,868
Goodwill									1,522	1,522
Intangible assets									1,233	1,233
Other assets[1]	3,080	213	757	1,298	221	855	426	102	2,291	9,243
	5,699	2,163	1,944	1,941	596	2,562	2,002	2,354	6,954	26,215
	47,220	15,461	15,971	16,375	15,336	55,219	99,917	41,469	155,258	462,226

[1] Amounts collectible on demand are considered to have no specified maturity.

Note 31 – Financial Instruments Risk Management (cont.)

										As at October 31, 2024
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits[1][2]										
Personal	4,022	3,808	4,840	5,342	4,810	6,856	13,857	7,170	44,476	95,181
Business and government	34,782	14,521	18,716	10,445	6,927	9,649	37,905	6,273	93,512	232,730
Deposit-taking institutions	803	101	364	1,188	401	11	2	26	2,738	5,634
	39,607	18,430	23,920	16,975	12,138	16,516	51,764	13,469	140,726	333,545
Other										
Obligations related to securities sold short[3]	124	260	396	113	64	1,141	2,323	4,354	2,098	10,873
Obligations related to securities sold under repurchase agreements and securities loaned	19,554	2,510	3,915	3,481	–	1,073	–	–	7,644	38,177
Derivative financial instruments	1,875	3,134	2,183	509	372	1,844	1,886	3,957	–	15,760
Liabilities related to transferred receivables[4]	–	1,897	1,216	1,543	197	4,169	8,872	10,483	–	28,377
Securitization – Credit card[5]	49	–	–	–	–	–	–	–	–	49
Lease liabilities[5]	6	13	19	19	18	72	176	149	–	472
Other liabilities – Other items[1][5]	1,674	199	238	10	51	65	79	170	5,679	8,165
	23,282	8,013	7,967	5,675	702	8,364	13,336	19,113	15,421	101,873
Subordinated debt	–	–	–	–	–	–	–	1,258	–	1,258
Equity									25,550	25,550
	62,889	26,443	31,887	22,650	12,840	24,880	65,100	33,840	181,697	462,226
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	80	1,861	1,914	1,420	1,456	2,506	203	20	–	9,460
Credit card receivables[6]									10,515	10,515
Backstop liquidity and credit enhancement facilities[7]	–	15	5,552	15	–	–	–	–	5,483	11,065
Commitments to extend credit[8]	3,243	12,896	9,811	8,121	4,600	5,248	3,635	114	52,612	100,280
Obligations related to:										
Lease commitments[9]	1	1	2	1	1	5	4	2	–	17
Other contracts[10]	5	10	14	12	12	48	244	9	161	515

[1] Amounts payable upon demand or notice are considered to have no specified maturity.
[2] *Deposits* are presented in greater detail than in the Consolidated Balance Sheet.
[3] Amounts are disclosed according to the residual contractual maturity of the underlying security.
[4] These amounts mainly include liabilities related to the securitization of mortgage loans.
[5] *Other liabilities* are presented in greater detail than in the Consolidated Balance Sheet.
[6] These amounts are unconditionally revocable at the Bank's discretion at any time.
[7] In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $5.6 billion.
[8] These amounts include $48.6 billion that is unconditionally revocable at the Bank's discretion at any time.
[9] These amounts include leases for which the underlying asset is of low value and leases other than for real estate of less than one year.
[10] These amounts include $5 million in contractual commitments related to the head office building.

As at October 31, 2023[1]

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	25,374	448	354	50	216	–	–	–	8,792	35,234
Securities										
At fair value through profit or loss	694	258	1,663	1,758	2,260	3,667	10,823	12,813	66,058	99,994
At fair value through other comprehensive income	3	30	154	224	426	538	4,548	2,660	659	9,242
At amortized cost	4	158	508	338	1,399	4,110	4,713	1,352	–	12,582
	701	446	2,325	2,320	4,085	8,315	20,084	16,825	66,717	121,818
Securities purchased under reverse repurchase agreements and securities borrowed	2,275	1,641	716	72	416	693	–	–	5,447	11,260
Loans[2]										
Residential mortgage	1,409	1,250	1,990	3,126	2,990	15,339	51,112	9,089	542	86,847
Personal	613	637	1,060	1,271	1,396	6,258	15,656	5,713	13,754	46,358
Credit card									2,603	2,603
Business and government	21,406	4,262	4,007	3,204	2,783	6,695	11,322	5,414	25,099	84,192
Customers' liability under acceptances	6,191	373	50	13	–	–	–	–	–	6,627
Allowances for credit losses									(1,184)	(1,184)
	29,619	6,522	7,107	7,614	7,169	28,292	78,090	20,216	40,814	225,443
Other										
Derivative financial instruments	2,040	1,982	1,367	1,197	611	1,696	2,399	6,224	–	17,516
Investments in associates and joint ventures									49	49
Premises and equipment									1,592	1,592
Goodwill									1,521	1,521
Intangible assets									1,256	1,256
Other assets[2]	2,639	774	166	1,206	547	598	252	115	1,491	7,788
	4,679	2,756	1,533	2,403	1,158	2,294	2,651	6,339	5,909	29,722
	62,648	11,813	12,035	12,459	13,044	39,594	100,825	43,380	127,679	423,477

[1] Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] Amounts collectible on demand are considered to have no specified maturity.

Note 31 – Financial Instruments Risk Management (cont.)

As at October 31, 2023[1]

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits[2][3]										
Personal	4,648	3,722	4,491	6,056	5,145	8,398	11,635	4,164	39,624	87,883
Business and government	32,642	10,044	17,495	4,271	3,498	9,127	15,768	5,058	99,425	197,328
Deposit-taking institutions	646	408	32	109	18	8	15	33	1,693	2,962
	37,936	14,174	22,018	10,436	8,661	17,533	27,418	9,255	140,742	288,173
Other										
Acceptances	6,191	373	50	13	–	–	–	–	–	6,627
Obligations related to securities sold short[4]	35	155	129	73	76	347	2,332	4,123	6,390	13,660
Obligations related to securities sold under repurchase agreements and securities loaned	23,041	2,719	1,040	3,467	–	274	–	–	7,806	38,347
Derivative financial instruments	1,912	2,697	1,186	1,086	467	2,415	3,068	7,057	–	19,888
Liabilities related to transferred receivables[5]	–	1,760	829	2,142	618	3,915	8,678	7,092	–	25,034
Securitization – Credit card[6]	–	–	–	–	–	48	–	–	–	48
Lease liabilities[6]	9	28	25	24	23	83	197	128	–	517
Other liabilities – Other items[2][6]	1,417	306	174	7	27	37	58	105	4,720	6,851
	32,605	8,038	3,433	6,812	1,211	7,119	14,333	18,505	18,916	110,972
Subordinated debt	–	–	–	–	–	–	–	748	–	748
Equity									23,584	23,584
	70,541	22,212	25,451	17,248	9,872	24,652	41,751	28,508	183,242	423,477
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	89	1,287	1,975	2,185	1,490	1,165	255	50	–	8,496
Credit card receivables[7]									9,802	9,802
Backstop liquidity and credit enhancement facilities[8]	–	15	5,552	15	–	–	–	–	4,519	10,101
Commitments to extend credit[9]	3,186	10,675	8,445	7,562	4,316	4,579	3,312	39	48,592	90,706
Obligations related to:										
Lease commitments[10]	1	1	1	2	2	6	7	1	–	21
Other contracts[11]	11	22	34	33	36	46	138	13	127	460

(1) Certain amounts have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.
(2) Amounts payable upon demand or notice are considered to have no specified maturity.
(3) *Deposits* are presented in greater detail than in the Consolidated Balance Sheet.
(4) Amounts have been disclosed according to the residual contractual maturity of the underlying security.
(5) These amounts mainly include liabilities related to the securitization of mortgage loans.
(6) *Other liabilities* are presented in greater detail than in the Consolidated Balance Sheet.
(7) These amounts are unconditionally revocable at the Bank's discretion at any time.
(8) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $5.6 billion.
(9) These amounts include $46.7 billion that is unconditionally revocable at the Bank's discretion at any time.
(10) These amounts include leases for which the underlying asset is of low value and leases other than for real estate of less than one year.
(11) These amounts include $0.1 billion in contractual commitments related to the portion under construction of the head office building.

Note 32 – Segment Disclosures

The Bank carries out its activities in four business segments, which are defined below. For presentation purposes, other activities are grouped in the *Other* heading. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy. The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2023. This presentation reflects the retrospective application of the accounting policy changes arising from the adoption of IFRS 17. The figures for the 2023 quarters have been adjusted to reflect these accounting policy changes.

Personal and Commercial

The Personal and Commercial segment encompasses the banking, financing, and investing services offered to individuals, advisors and businesses as well as insurance operations.

Wealth Management

The Wealth Management segment comprises investment solutions, trust services, banking services, lending services and other wealth management solutions offered through internal and third-party distribution networks.

Financial Markets

The Financial Markets segment encompasses corporate banking and investment banking and financial solutions for large and mid-size corporations, public sector organizations, and institutional investors.

U.S. Specialty Finance and International (USSF&I)

The USSF&I segment encompasses the specialty finance expertise provided by the Credigy subsidiary; the activities of the ABA Bank subsidiary, which offers financial products and services to individuals and businesses in Cambodia; and the activities of targeted investments in certain emerging markets.

Other

This heading encompasses treasury activities; liquidity management; Bank funding; asset/liability management activities; the activities of the Flinks subsidiary, a fintech company specialized in financial data aggregation and distribution; certain specified items; and the unallocated portion of corporate units.

The segment disclosures are prepared in accordance with the accounting policies described in Note 1 to these Consolidated Financial Statements, except for the net interest income, non-interest income, and income taxes (recovery) of the operating segments, which are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain revenues taxed at lower rates (notably dividends), by the income tax to a level that would make it comparable to revenues from taxable sources in Canada. An equivalent amount is added to income taxes (recovery). The effect of these adjustments is reversed under the *Other* heading. However, considering the enacted legislation with respect to Canadian dividends, the Bank did not recognize any income tax deductions, nor did it use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see Note 26). Operations support charges are allocated to each operating segment presented in the business segment results. The Bank assesses performance based on the net income attributable to the Bank's shareholders and holders of other equity instruments. Intersegment revenues are recognized at the exchange amount.

Note 32 – Segment Disclosures (cont.)

Results by Business Segment

Year ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Net interest income[2][3]	**3,587**	3,321	**833**	778	**(2,449)**	(1,054)	**1,303**	1,132	**(335)**	(591)	**2,939**	3,586
Non-interest income[2][4][5]	**1,086**	1,083	**1,953**	1,743	**5,479**	3,710	**112**	77	**(169)**	(141)	**8,461**	6,472
Total revenues	**4,673**	4,404	**2,786**	2,521	**3,030**	2,656	**1,415**	1,209	**(504)**	(732)	**11,400**	10,058
Non-interest expenses[6][7][8][9][10]	**2,486**	2,462	**1,633**	1,534	**1,246**	1,161	**439**	402	**250**	194	**6,054**	5,753
Income before provisions for credit losses and income taxes	**2,187**	1,942	**1,153**	987	**1,784**	1,495	**976**	807	**(754)**	(926)	**5,346**	4,305
Provisions for credit losses	**335**	238	**(1)**	2	**54**	39	**182**	113	**(1)**	5	**569**	397
Income before income taxes (recovery)	**1,852**	1,704	**1,154**	985	**1,730**	1,456	**794**	694	**(753)**	(931)	**4,777**	3,908
Income taxes (recovery)[2][11]	**509**	468	**317**	271	**476**	401	**166**	146	**(507)**	(667)	**961**	619
Net income	**1,343**	1,236	**837**	714	**1,254**	1,055	**628**	548	**(246)**	(264)	**3,816**	3,289
Non-controlling interests	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	(2)	**(1)**	(2)
Net income attributable to the Bank's shareholders and holders of other equity	**1,343**	1,236	**837**	714	**1,254**	1,055	**628**	548	**(245)**	(262)	**3,817**	3,291
Average assets[12]	**158,917**	148,511	**9,249**	8,560	**195,881**	180,837	**27,669**	23,007	**65,546**	69,731	**457,262**	430,646
Total assets	**165,204**	154,627	**10,411**	8,666	**193,012**	178,784	**30,202**	25,308	**63,397**	56,092	**462,226**	423,477

[1] For the year ended October 31, 2023, certain comparative figures have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] For the year ended October 31, 2024, *Net interest income* was grossed up by $79 million ($332 million in 2023), *Non-interest income* was grossed up by $306 million ($247 million in 2023), and an equivalent amount was recognized in *Income taxes (recovery).* The effects of these adjustments have been reversed under the *Other* heading. Considering the enacted legislation with respect to Canadian dividends, the Bank did not recognize any income tax deductions, nor did it use the taxable equivalent basis method to adjust revenues related to affected dividends received after January 1, 2024 (for additional information, see Note 26).

[3] During the year ended October 31, 2024, the Bank recorded an amount of $14 million ($10 million net of income taxes) in the *Other* heading to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB (for additional information, see Notes 14 and 16).

[4] During the year ended October 31, 2024, the Bank recorded a gain of $174 million ($125 million net of income taxes) upon the remeasurement at fair value of the interest already held in CWB. Also during the year ended October 31, 2024, the Bank recorded a mark-to-market loss of $3 million ($2 million net of income taxes) on interest rate swaps used to manage the fair value changes of CWB's assets and liabilities that give rise to volatility of goodwill and capital at the closing of the transaction.

[5] During the year ended October 31, 2023, the Bank had concluded that it had lost significant influence over TMX Group Limited (TMX) and therefore ceased using the equity method to account for this investment. The Bank had designated its investment in TMX as a financial asset measured at fair value through other comprehensive income in an amount of $191 million. Upon fair value measurement, a gain of $91 million ($67 million net of income taxes) was recorded. All these items were recorded under the *Other* heading.

[6] During the year ended October 31, 2024, the Bank recorded, in the *Other* heading, acquisition and integration charges of $18 million ($13 million net of income taxes) related to the CWB transaction.

[7] During the year ended October 31, 2023, the Bank had recorded intangible asset impairment losses on technology development of $75 million in *Non-interest expenses,* in the following segments: Personal and Commercial ($59 million), Wealth Management ($8 million), Financial Markets ($7 million), and in the *Other* heading ($1 million). Moreover, it recorded premises and equipment impairment losses related to right-of-use assets of $11 million in *Non-interest expenses,* in the *Other* heading.

[8] During the year ended October 31, 2023, the Bank had recorded litigation expenses of $35 million to resolve litigations and other disputes arising from various ongoing or potential claims against the Bank in *Non-interest expenses* in the Wealth Management segment.

[9] For the year ended October 31, 2023, *Non-interest expenses* in the *Other* heading included an expense of $25 million related to the retroactive impact of the changes to the *Excise Tax Act*, indicating that payment card clearing services rendered by a payment card network operator are subject to the goods and services tax (GST) and the harmonized sales tax (HST).

[10] During the year ended October 31, 2023, the Bank had recorded *Non-interest expenses* of $15 million for (i) contract termination penalties (Personal and Commercial segment: $9 million) and for (ii) provisions for onerous contracts (*Other* heading: $6 million).

[11] During the year ended October 31, 2023, the Bank had recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to a 1.5% increase in the statutory tax rate, which included the impact related to current and deferred taxes for fiscal 2022. These items were recorded under the *Other* heading. For additional information on these tax measures, see Note 26.

[12] Represents an average of the daily balances for the period, which is also the basis on which segment assets are reported in the business segments.

Results by Geographic Segment

Year ended October 31[1]

		Canada		United States		Other		Total
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Net interest income[2]	**1,225**	1,901	**1,062**	1,051	**652**	634	**2,939**	3,586
Non-interest income[3][4]	**7,055**	5,700	**191**	98	**1,215**	674	**8,461**	6,472
Total revenues	**8,280**	7,601	**1,253**	1,149	**1,867**	1,308	**11,400**	10,058
Non-interest expenses[5][6][7][8][9]	**5,464**	5,213	**238**	226	**352**	314	**6,054**	5,753
Income before provisions for credit losses and income taxes	**2,816**	2,388	**1,015**	923	**1,515**	994	**5,346**	4,305
Provisions for credit losses	**388**	284	**113**	81	**68**	32	**569**	397
Income before income taxes	**2,428**	2,104	**902**	842	**1,447**	962	**4,777**	3,908
Income taxes[10]	**629**	353	**99**	68	**233**	198	**961**	619
Net income	**1,799**	1,751	**803**	774	**1,214**	764	**3,816**	3,289
Non-controlling interests	**(1)**	(2)	**–**	–	**–**	–	**(1)**	(2)
Net income attributable to the Bank's shareholders and holders of other equity instruments	**1,800**	1,753	**803**	774	**1,214**	764	**3,817**	3,291
Average assets[11]	**378,632**	355,337	**28,284**	29,116	**50,346**	46,193	**457,262**	430,646
Total assets	**381,098**	347,972	**26,327**	29,968	**54,801**	45,537	**462,226**	423,477

[1] For the year ended October 31, 2023, certain comparative figures have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements.

[2] During the year ended October 31, 2024, the Bank recorded an amount of $14 million ($10 million net of income taxes) in *Net interest income* in the Canada heading to reflect the amortization of the issuance costs of the subscription receipts issued as part of the agreement to acquire CWB (for additional information, see Notes 14 and 16).

[3] During the year ended October 31, 2024, the Bank recorded a gain of $174 million ($125 million net of income taxes) upon the remeasurement at fair value of the interest already held in CWB. Also during the year ended October 31, 2024, the Bank recorded a mark-to-market loss of $3 million ($2 million net of income taxes) on interest rate swaps used to manage the fair value changes of CWB's assets and liabilities that give rise to volatility of goodwill and capital at the closing of the transaction. These items were recorded in Canada.

[4] During the year ended October 31, 2023, the Bank had concluded that it had lost significant influence over TMX Group Limited (TMX) and therefore ceased using the equity method to account for this investment. The Bank had designated its investment in TMX as a financial asset measured at fair value through other comprehensive income in an amount of $191 million. Upon fair value measurement, a $91 million gain ($67 million net of income taxes) was recorded in *Non-interest income,* in Canada.

[5] During the year ended October 31, 2024, the Bank recorded, in *Non-interest expenses* in Canada, acquisition and integration charges of $18 million ($13 million net of income taxes) related to the CWB transaction.

[6] During the year ended October 31, 2023, the Bank had recorded intangible asset impairment losses on technology development of $75 million, and it recorded premises and equipment impairment losses related to right-of-use assets $11 million in *Non-interest expenses*, in Canada.

[7] During the year ended October 31, 2023, the Bank had recorded litigation expenses of $35 million to resolve litigations and other disputes arising from various ongoing or potential claims against the Bank in *Non-interest expenses*, in Canada.

[8] For the year ended October 31, 2023, *Non-interest expenses* in Canada had included an expense of $25 million related to the retroactive impact of the changes to the *Excise Tax Act*, indicating that payment card clearing services rendered by a payment card network operator are subject to the goods and services tax (GST) and the harmonized sales tax (HST).

[9] During the year ended October 31, 2023, the Bank had recorded, under *Non-interest expenses* in Canada, expenses of $15 million for (i) contract termination penalties and for (ii) provisions for onerous contracts.

[10] During the year ended October 31, 2023, the Bank had recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to a 1.5% increase in the statutory tax rate, which includes the impact related to current and deferred taxes for fiscal 2022. These items were recorded in Canada. For additional information on these tax measures, see Note 26.

[11] Represents an average of the daily balances for the period.

Note 33 – Acquisition

On June 11, 2024, the Bank entered into an agreement to acquire all of the issued and outstanding common shares of Canadian Western Bank (CWB) by way of a share exchange valuing CWB at approximately $5.0 billion. Each CWB common share, other than those held by the Bank, will be exchanged for 0.450 of a common share of National Bank. CWB is a diversified financial services institution based in Edmonton, Alberta. This transaction will enable the Bank to accelerate its growth across Canada. The business combination brings together two complementary Canadian banks with growing businesses, thereby enhancing customer service by offering a full range of products and services nationwide, with a regionally focused service model.

The transaction is subject to the satisfaction of customary closing conditions, including regulatory approvals, and is expected to close in 2025. The results of the acquired business will be consolidated from the date of closing.

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Statistical Review

As at October 31 or for the year ended October 31[1] (millions of Canadian dollars)	**2024**	2023	2022	2021	2020	2019	2018	2017	2016	2015
Consolidated Balance Sheet data										
Cash and deposits with financial institutions	**31,549**	35,234	31,870	33,879	29,142	13,698	12,756	8,802	8,183	7,567
Securities	**145,165**	121,818	109,719	106,304	102,131	82,226	69,783	65,343	64,541	56,040
Securities purchased under reverse repurchase agreements and securities borrowed	**16,265**	11,260	26,486	7,516	14,512	17,723	18,159	20,789	13,948	17,702
Loans and acceptances, net of allowances	**243,032**	225,443	206,744	182,689	164,740	153,251	146,082	136,457	128,036	116,676
Other assets	**26,215**	29,722	28,921	25,233	20,963	14,475	15,661	14,433	17,498	18,105
Total assets	**462,226**	423,477	403,740	355,621	331,488	281,373	262,441	245,824	232,206	216,090
Deposits	**333,545**	288,173	266,394	240,938	215,878	189,566	170,830	156,671	142,066	130,458
Other liabilities	**101,873**	110,972	114,101	95,233	98,589	75,983	76,539	75,589	77,026	72,755
Subordinated debt	**1,258**	748	1,499	768	775	773	747	9	1,012	1,522
Share capital and other equity instruments										
Preferred shares and other equity instruments	**3,150**	3,150	3,150	2,650	2,950	2,450	2,450	2,050	1,650	1,023
Common shares	**3,463**	3,294	3,196	3,160	3,057	2,949	2,822	2,768	2,645	2,614
Contributed surplus	**85**	68	56	47	47	51	57	58	73	67
Retained earnings	**18,633**	16,650	15,140	12,854	10,307	9,227	8,442	7,703	6,706	6,705
Accumulated other comprehensive income	**219**	420	202	(32)	(118)	16	175	168	218	145
Non-controlling interests	**–**	2	2	3	3	358	379	808	810	801
Total liabilities and equity	**462,226**	423,477	403,740	355,621	331,488	281,373	262,441	245,824	232,206	216,090
Average assets[2]	**457,262**	430,646	393,847	363,506	318,087	286,162	265,940	248,351	235,913	222,929
Net impaired loans excluding POCI loans[3][4] under IFRS 9	**1,144**	606	479	283	465	450	404			
Net impaired loans excluding POCI loans[4] under IAS 39								206	281	254
Consolidated Statement of Income data										
Net interest income	**2,939**	3,586	5,271	4,783	4,255	3,596	3,382	3,436	3,205	2,929
Non-interest income	**8,461**	6,472	4,381	4,144	3,672	3,836	3,784	3,173	2,635	2,817
Total revenues	**11,400**	10,058	9,652	8,927	7,927	7,432	7,166	6,609	5,840	5,746
Non-interest expenses	**6,054**	5,753	5,230	4,903	4,616	4,375	4,100	3,861	3,875	3,665
Income before provisions for credit losses and income taxes	**5,346**	4,305	4,422	4,024	3,311	3,057	3,066	2,748	1,965	2,081
Provisions for credit losses	**569**	397	145	2	846	347	327	244	484	228
Income taxes	**961**	619	894	882	434	443	534	483	225	234
Net income	**3,816**	3,289	3,383	3,140	2,031	2,267	2,205	2,021	1,256	1,619
Non-controlling interests	**(1)**	(2)	(1)	–	42	66	87	84	75	70
Net income attributable to the Bank's shareholders and holders of other equity instruments	**3,817**	3,291	3,384	3,140	1,989	2,201	2,118	1,937	1,181	1,549

[1] Certain amounts from fiscal 2023 have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements. Certain amounts from fiscal years 2017 to 2021 were adjusted in 2022 to reflect an accounting policy change applicable to cloud computing arrangements, aside from the average assets figures for fiscal years 2017 to 2019.

[2] Represents an average of the daily balances for the period.

[3] Given the adoption of IFRS 9, all loans classified in Stage 3 of the expected credit loss model are impaired loans. Under IAS 39, loans were considered impaired according to different criteria. Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and, in this table, the net impaired loans presented exclude POCI loans.

[4] Includes customers' liability under acceptances for fiscal years 2015 to 2023.

As at October 31[1]	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Number of common shares *(thousands)*	340,744	338,285	336,582	337,912	335,998	334,172	335,071	339,592	338,053	337,236
Basic earnings per share	$ 10.78	$ 9.33	$ 9.72	$ 8.95	$ 5.57	$ 6.22	$ 5.93	$ 5.43	$ 3.31	$ 4.56
Diluted earnings per share	$ 10.68	$ 9.24	$ 9.61	$ 8.85	$ 5.54	$ 6.17	$ 5.86	$ 5.37	$ 3.29	$ 4.51
Dividend per share	$ 4.32	$ 3.98	$ 3.58	$ 2.84	$ 2.84	$ 2.66	$ 2.44	$ 2.28	$ 2.18	$ 2.04
Share price										
High	$ 134.23	$ 103.58	$ 105.44	$ 104.32	$ 74.79	$ 68.02	$ 65.63	$ 62.74	$ 47.88	$ 55.06
Low	$ 86.50	$ 84.97	$ 83.12	$ 65.54	$ 38.73	$ 54.97	$ 58.69	$ 46.83	$ 35.83	$ 40.75
Close	$ 132.80	$ 86.22	$ 92.76	$ 102.46	$ 63.94	$ 68.02	$ 59.76	$ 62.61	$ 47.88	$ 43.31
Book value[2]	$ 65.74	$ 60.40	$ 55.24	$ 47.44	$ 39.56	$ 36.64	$ 34.31	$ 31.50	$ 28.52	$ 28.26
Dividends on preferred shares										
Series 20	–	–	–	–	–	–	–	–	–	$ 1.5000
Series 28	–	–	–	–	–	–	–	$ 0.9500	$ 0.9500	$ 0.9500
Series 30	$ 1.2770	$ 1.0063	$ 1.0063	$ 1.0063	$ 1.0063	$ 1.0156	$ 1.0250	$ 1.0250	$ 1.0250	$ 1.0250
Series 32	$ 0.9598	$ 0.9598	$ 0.9598	$ 0.9598	$ 0.9636	$ 0.9750	$ 0.9750	$ 0.9750	$ 0.9750	$ 1.0760
Series 34	–	–	–	$ 0.7000	$ 1.4000	$ 1.4000	$ 1.4000	$ 1.4000	$ 1.1373	–
Series 36	–	–	–	$ 1.0125	$ 1.3500	$ 1.3500	$ 1.3500	$ 1.3500	$ 0.5733	–
Series 38	$ 1.7568	$ 1.7568	$ 1.1125	$ 1.1125	$ 1.1125	$ 1.1125	$ 1.1125	$ 0.4724	–	–
Series 40	$ 1.4545	$ 1.3023	$ 1.1500	$ 1.1500	$ 1.1500	$ 1.1500	$ 0.9310	–	–	–
Series 42	$ 1.7640	$ 1.2375	$ 1.2375	$ 1.2375	$ 1.2375	$ 1.2375	$ 0.5323	–	–	–
LRCN interests										
Series 1	4.30 %	4.30 %	4.30 %	4.30 %	4.30 %	–	–	–	–	–
Series 2	4.05 %	4.05 %	4.05 %	4.05 %	–	–	–	–	–	–
Series 3	7.50 %	7.50 %	7.50 %	–	–	–	–	–	–	–
Financial ratios										
Return on common shareholders' equity[2]	17.2 %	16.3 %	18.8 %	20.7 %	14.6 %	18.0 %	18.4 %	18.1 %	11.7 %	16.9 %
Return on average assets[2]	0.83 %	0.76 %	0.86 %	0.86 %	0.64 %	0.81 %	0.84 %	0.81 %	0.53 %	0.73 %
Regulatory ratios under Basel III[3]										
Capital ratios										
CET1	13.7 %	13.5 %	12.7 %	12.4 %	11.8 %	11.7 %	11.7 %	11.2 %	10.1 %	9.9 %
Tier 1	15.9 %	16.0 %	15.4 %	15.0 %	14.9 %	15.0 %	15.5 %	14.9 %[4]	13.5 %	12.5 %[5]
Total	17.0 %	16.8 %	16.9 %	15.9 %	16.0 %	16.1 %	16.8 %	15.1 %[4]	15.3 %	14.0 %[6]
Leverage ratio	4.4 %	4.4 %	4.5 %	4.4 %	4.4 %	4.0 %	4.0 %	4.0 %	3.7 %	4.0 %
TLAC ratio[7]	31.2 %	29.2 %	27.7 %	26.3 %	23.7 %					
TLAC leverage ratio[7]	8.6 %	8.0 %	8.1 %	7.8 %	7.0 %					
Liquidity coverage ratio (LCR)[8]	150 %	155 %	140 %	154 %	161 %	146 %	147 %	132 %	134 %	131 %
Net stable funding ratio (NSFR)[8]	122 %	118 %	117 %	117 %						
Other information										
Number of employees[9]	29,196	28,916	27,103	24,495	25,604	24,557	22,426	20,584	20,600	19,026
Branches in Canada	368	368	378	384	403	422	428	429	450	452
Banking machines in Canada	940	944	939	927	940	939	937	931	938	930

[1] Certain amounts from fiscal 2023 have been adjusted to reflect accounting policy changes arising from the adoption of IFRS 17. For additional information, see Note 2 to these Consolidated Financial Statements. Certain amounts from fiscal years 2017 to 2021 have been adjusted to reflect an accounting policy change in 2022 applicable to cloud computing arrangements, aside from the return on common shareholders' equity and return on average assets figures for fiscal years 2017 to 2019.

[2] See the Glossary section on pages 130 to 133 for details on the composition of these measures.

[3] Ratios as at October 31, 2022, 2021 and 2020 are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline,* and reflect the transitional measures granted by OSFI.

[4] Taking into account the redemption of the Series 28 preferred shares on November 15, 2017.

[5] Taking into account the redemption of the Series 20 preferred shares on November 15, 2015.

[6] Taking into account the redemption of the Series 20 preferred shares on November 15, 2015 and the $500 million redemption of notes on November 2, 2015.

[7] The TLAC ratio and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.

[8] The LCR ratio and the NSFR ratio are calculated in accordance with OSFI's *Liquidity Adequacy Requirements Guideline*.

[9] Full-time equivalent. The methodology was refined during fiscal 2023 and the fiscal 2022 and 2021 figures have been restated.

Information for Shareholders

Description of Share Capital

The authorized share capital of the Bank consists of an unlimited number of common shares, without par value, an unlimited number of first preferred shares, without par value, issuable for a maximum aggregate consideration of $7.5 billion, and 15 million second preferred shares, without par value, issuable for a maximum aggregate consideration of $300 million. As at October 31, 2024, the Bank had a total of 340,743,876 common shares and 67,500,000 first preferred shares issued and outstanding (including Series 44, 45 and 46 issued by the Bank in conjunction with the LRCN, for additional information, see Note 20 to the Consolidated Financial Statements).

Stock Exchange Listings

The Bank's common shares and Series 30, 32, 38, 40 and 42 First Preferred Shares are listed on the Toronto Stock Exchange in Canada.

Issue or class	Ticker symbol
Common shares	NA
First Preferred Shares	
Series 30	NA.PR.S
Series 32	NA.PR.W
Series 38	NA.PR.C
Series 40	NA.PR.E
Series 42	NA.PR.G

Number of Registered Shareholders

As at October 31, 2024, there were 19,570 common shareholders recorded in the Bank's common share register.

Dividends

Dividend Dates in Fiscal 2025
(subject to approval by the Board of Directors of the Bank)

Record date	Payment date
Common shares	
December 30, 2024	February 1, 2025
March 31, 2025	May 1, 2025
June 30, 2025	August 1, 2025
September 29, 2025	November 1, 2025
Preferred shares, Series 30, 32, 38, 40 and 42	
January 6, 2025	February 15, 2025
April 7, 2025	May 15, 2025
July 7, 2025	August 15, 2025
October 6, 2025	November 15, 2025

Dividends Declared on Common Shares During Fiscal 2024

Record date	Payment date	Dividend per share ($)
December 25, 2023	February 1, 2024	1.06
March 25, 2024	May 1, 2024	1.06
June 24, 2024	August 1, 2024	1.10
September 30, 2024	November 1, 2024	1.10

Dividends Declared on Preferred Shares During Fiscal 2024

		Dividend per share ($)				
Record date	Payment date	Series 30	Series 32	Series 38	Series 40	Series 42
January 8, 2024	February 15, 2024	0.2516	0.2399	0.4392	0.3636	0.4410
April 5, 2024	May 15, 2024	0.2515	0.2400	0.4392	0.3637	0.4410
July 8, 2024	August 15, 2024	0.3870	0.2399	0.4392	0.3636	0.4410
October 7, 2024	November 15, 2024	0.3869	0.2400	0.4392	0.3636	0.4410

Dividends paid are "eligible dividends" in accordance with the *Income Tax Act* (Canada).

Dividend Reinvestment and Share Purchase Plan

National Bank has a Dividend Reinvestment and Share Purchase Plan for holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Participants acquire common shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of at least $1 per payment, up to a maximum of $5,000 per quarter.

For additional information, shareholders may contact National Bank's registrar and transfer agent, Computershare Trust Company of Canada, at 1-888-838-1407. To participate in the plan, National Bank's beneficial or non-registered common shareholders must contact their financial institution or broker.

Direct Deposit
Shareholders may elect to have their dividend payments deposited directly via electronic funds transfer to their bank account at any financial institution that is a member of the Canadian Payments Association. To do so, they must send a written request to the transfer agent, Computershare Trust Company of Canada.

Head Office

National Bank of Canada
National Bank Place
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Montreal, Quebec H3C 1A3 Canada

Telephone: 514-394-5000
Website: nbc.ca

Annual Meeting

The Annual Meeting of Holders of Common Shares of the Bank will be held on April 24, 2025.

Corporate Social Responsibility Statement

The information will be available in March 2025 on the Bank's website at nbc.ca.

Communication with Shareholders

For information about stock transfers, address changes, dividends, lost certificates, tax forms and estate transfers, shareholders of record may contact the transfer agent at the following address:

Computershare Trust Company of Canada

Share Ownership Management
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1 Canada

Telephone: 1-888-838-1407
Fax: 1-888-453-0330
E-mail: *service@computershare.com*
Website: computershare.com

Shareholders whose shares are held by a market intermediary are asked to contact the market intermediary concerned.

Other shareholder inquiries can be addressed to:
Investor Relations
National Bank of Canada
800 Saint-Jacques Street, 33rd Floor
Montreal, Quebec H3C 1A3 Canada

Telephone: 1-866-517-5455
E-mail: investorrelations@nbc.ca
Website: nbc.ca/investorrelations

Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada makes written and oral forward-looking statements, including in this Annual Report, in other filings with Canadian regulators, in reports to shareholders, in press releases and in other communications. These statements are made pursuant to the Canadian and American securities legislation.

The Caution Regarding Forward-Looking Statements section can be found on page 13 of this Annual Report.

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