

RESOLUTION NO. 21288

Background

It is necessary and desirable for The Illinois State Toll Highway Authority (the "*Tollway*") to retain certain financial firms to provide, on an as-needed basis, underwriting services in connection with the issuance of new bonds.

The Tollway issued the Request for Proposals #16-0155 for Bond Underwriting Services (the "*RFP*") to establish two pools of financial firms to be available to provide, on an as-needed basis, bond underwriting services for Tollway financings for an initial term of three years with renewal options of up to two years.

Proposals received pursuant to the RFP were: (a) reviewed by the Procurement Department for administrative compliance and vendor responsibility; and (b) evaluated by an evaluation committee for Responsiveness (as defined in the RFP). As a result of the review and evaluation of the proposals, certain financial firms were determined to be qualified to provide the aforementioned bond underwriting services, after which pricing was negotiated with such firms. As a result of the review and evaluation of the proposals and subsequent price negotiation, it is deemed in the best interest of the Tollway to select the following financial firms to serve, on an as-needed basis, as Senior Managing Underwriter or Co-Senior Managing Underwriter for a Tollway bond issuance:

Citigroup Global Markets Inc.;

Goldman, Sachs & Co.;

Jefferies, LLC;

J.P. Morgan Securities LLC;

Loop Capital Markets LLC;

Merrill Lynch Pierce Fenner & Smith Incorporated;

Morgan Stanley & Co. LLC;

Piper Jaffray & Co.;

PNC Capital Markets LLC;

RBC Capital Markets, LLC;

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RESOLUTION NO. 21288

Resolution-Continued

Chief Financial Officer is authorized to issue warrants in payment thereof. As needed for each bond issuance, the Chairman or the Executive Director is authorized to assign a bond underwriting group consisting of firms from the Senior Pool and Co-Manager Pool, each assignment to be made consistent with the considerations for making such assignments contained in the RFP. Firms in the Senior Pool are deemed eligible to serve as bond remarketing agent.

Approved by:

A large black rectangular redaction box covering the signature of the Chairman.

Chairman

A black rectangular redaction box covering the name of the Chairman.

STATE OF ILLINOIS

CONTRACT

Illinois Tollway

Bond Underwriting Services

16-0155J

The Parties to this contract are the State of Illinois acting through the undersigned Agency (collectively the State) and the Vendor. This contract, consisting of the signature page and numbered sections listed below and any attachments referenced in this contract, constitute the entire contract between the Parties concerning the subject matter of the contract, and in signing the contract, the Contractor affirms that the Certifications and if applicable the Financial Disclosures and Conflicts of Interest attached hereto are true and accurate as of the date of the Contractor's execution of the contract. This contract supersedes any prior contracts between the Parties concerning the subject matter of this contract. This contract can be signed in multiple counterparts upon agreement of the Parties.

1. **DESCRIPTION OF SUPPLIES AND SERVICES**
2. **PRICING**
3. **TERM AND TERMINATION**
4. **STANDARD BUSINESS TERMS AND CONDITIONS**
5. **SUPPLEMENTAL PROVISIONS**
6. **FORMS A or FORMS B**
7. **TAXPAYER IDENTIFICATION NUMBER PAGE**
8. **VENDORS RESPONSE TO RFP #16-0155 AND RFP #16-0155**

NOTE: This contract establishes the terms and conditions under which the Vendor is available to be assigned by The Illinois State Toll Highway Authority (the "Tollway"), on an as-needed basis as determined by the Tollway, to underwrite Tollway bonds or other debt. Any such underwriting shall be pursuant to a bond purchase agreement or other appropriate form of agreement entered into by the Vendor and the Tollway at the time the Vendor underwrites the Tollway bonds or other debt. Such bond purchase agreement or other appropriate form of agreement shall be the exclusive agreement governing any such underwriting with respect to each party's performance, duties, rights, responsibilities, obligations and liabilities.

In consideration of the mutual covenants and agreements contained in this contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the terms and conditions set forth herein and have caused this contract to be executed by their duly authorized representatives on the dates shown on the following CONTRACT SIGNATURES page.

VENDOR

Vendor Name: RBC Capital Markets, LLC	Address: 500 W. Madison Street, Suite 2500, Chicago, IL 60661
Phone: 312-559-3880	Fax:
Signature: [REDACTED]	Date: 9/7/17
Printed Name: Jim Kelly	Email: james.kelly@rbccm.com
Title: Director	

STATE OF ILLINOIS

Procuring Agency: Illinois Tollway	Phone: 630/241-6800
Street Address: 2700 Ogden Avenue	Fax: 630/795-7908
City, State ZIP: Downers Grove, IL 60515	
Official Signature: [REDACTED]	Date: 10/26/17
Printed Name: Greg Bedalov	
Official's Title: Executive Director	
Approved as to Form and Constitutionality Legal Signature: [REDACTED]	Date: 10-20-2017
Legal Printed Name: Robert Lane	
Legal's Title: Senior Assistant Attorney General	
Procurement Signature: [REDACTED]	Date: 10/25/17
Procurement Printed Name: John Donato	
Procurement's Title: Chief of Procurement	

AGENCY/UNIVERSITY USE ONLY

NOT PART OF CONTRACTUAL PROVISIONS

Agency Reference #17-101081

Project Title: Bond Underwriting Services

Contract # 16-0155J

Procurement Method (IFB, RFP, Small, etc.): RFP

IPB Ref. #22039948

IPB Publication Date:

Award Code: B

Subcontractor Utilization? Yes No

Subcontractor Disclosure? Yes No

Funding Source

Obligation #

Small Business Set-Aside? Yes No

Minority Owned Business? Yes No Percentage

Female-Owned Business? Yes No Percentage

Persons With Disabilities Owned Business? Yes No Percentage

Other Preferences?

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1. DESCRIPTION OF SUPPLIES AND SERVICES

- 1.1. SUPPLIES AND/OR SERVICES REQUIRED:** The Vendor agrees to be one of a pool of multiple firms (the "Senior Pool") available to provide services, on an as-needed basis as determined by the Tollway, as Senior Managing Underwriter or Co-Senior Managing Underwriter in connection with Tollway bond issues and for the compensation specified in Section 2. A Senior Managing Underwriter of a bond issue must be able to perform the following duties: book runner; leader of the underwriting syndicate; pricing coordinator; lead marketer of the bond issue; structuring the financing (in consultation with any applicable Tollway financial / municipal advisor(s), and Tollway management / staff); review all documentation related to the bond issuance; compliance with disclosure and other requirements of this contract and any Bond Purchase Agreement; investor liaison; preparation of rating materials and presentations; and all other services conventional for a senior managing underwriter. A Co-Senior Managing Underwriter must be able to be a co-leader of the underwriting syndicate; assist, as may be requested by the Tollway, with the structuring of the financing and review of documentation; assist the Senior Managing Underwriter(s) with the marketing of the issue; and provide any other services conventional for a Co-Senior Managing Underwriter. The Co-Senior Managing Underwriter is expected to be integral to the transaction and participate in any aspects of the financing as determined to be necessary by the Tollway. In addition to duties specific to bond issuances to which firms are assigned, firms in the Senior Pool are expected to keep the Tollway informed of fixed income market conditions, especially with respect to the municipal bond market, and other matters pertinent to public finance, and to meet with the Tollway upon request, and at least once annually, to provide detailed consideration of and recommendations regarding items the Vendor considers pertinent to the Tollway. Firms in the Senior Pool are eligible to provide remarketing services for Tollway variable rate bond issues.
- 1.2. MILESTONES AND DELIVERABLES:** The timing of assignment(s), if any, of the Vendor to provide bond underwriting services and the amount of bonds, if any, for which such services are to be provided will depend on a variety of factors, including but not limited to: the extent, if any, to which the Tollway assigns the Vendor to provide such services; whether the Vendor completes any such assignment(s); the size(s) of the bond transaction(s), if any, to which the Vendor is assigned; the rate of progress of the Tollway's *Move Illinois Capital Program*; factors which may impact likelihood of refunding (e.g. fixed income market conditions, regulatory changes, changes among swap counterparties and/or credit enhancement providers, etc.); and other factors. The current, estimated projection of Tollway new money bond par amount issued during 2017 – 2022 is as follows: \$300,000,000 IN 2017; \$300,000,000 IN 2018; \$400,000,000 IN 2019; \$400,000,000 IN 2020; \$200,000,000 IN 2021; AND \$400,000,000 IN 2022. **This projection is subject to change.** The number and amounts of any refinancings will depend on market conditions and other factors. Two series of bonds will become callable at par during 2017-2022: (i) all \$279.3M of Series 2010A-1; and (ii) a \$100M portion of Series 2009A. Significant amounts of other bonds, including synthetic fixed rate bonds, may be refunded during 2017-2022, depending on market conditions and other factors.
- 1.3. VENDOR / STAFF SPECIFICATIONS:** The Vendor must be registered, and remain registered and in good standing, as a broker dealer with the Municipal Securities Rulemaking Board. The Offeror and assigned personnel must remain current with any ongoing requirements for such registration to be maintained.

1.4. TRANSPORTATION AND DELIVERY: n.a.

1.5. SUBCONTRACTING:

Subcontractors are not allowed.

For purposes of this section, subcontractors are those specifically hired by the Vendor to perform all or part of the work covered by the contract. If subcontractors will be utilized, Vendor must identify below the names and addresses of all subcontractors it will be entering into a contractual agreement that has an annual value of \$50,000 or more in the performance of this Contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money to the extent the information is known that each subcontractor is expected to receive pursuant to the Contract. Attach additional sheets as necessary.

1.5.1. Will subcontractors be utilized? Yes No

- Subcontractor Name: Click here to enter text

Amount to be paid: Click here to enter text

Address: Click here to enter text

Description of work: Click here to enter text

- Subcontractor Name: Click here to enter text

Amount to be paid: Click here to enter text

Address: Click here to enter text

Description of work: Click here to enter text

1.5.2. All contracts with the subcontractors identified above must include the Standard Certifications completed and signed by the subcontractor.

1.5.3. If the annual value of any the subcontracts is more than \$50,000, then the Vendor must provide to the State the Financial Disclosures and Conflicts of Interest for that subcontractor.

1.5.4. If the subcontractor is registered in the Illinois Procurement Gateway (IPG) and the Vendor is using the subcontractor's Standard Certifications or Financial Disclosures and Conflicts of Interest from the IPG, then the Vendor must also provide a completed Forms B for the subcontractor.

1.5.5. If at any time during the term of the Contract, Vendor adds or changes any subcontractors, Vendor will be required to promptly notify, in writing, the State Purchasing Officer or the Chief Procurement Officer of the names and addresses and the expected amount of money that each

new or replaced subcontractor will receive pursuant to the Contract. Any subcontracts entered into prior to award of the Contract are done at the Vendor's and subcontractor's risk.

- 1.6. WHERE SERVICES ARE TO BE PERFORMED:** Unless otherwise disclosed in this section all services shall be performed in the United States. If the Vendor performs the services purchased hereunder in another country in violation of this provision, such action may be deemed by the State as a breach of the contract by Vendor.

Vendor shall disclose the locations where the services required shall be performed and the known or anticipated value of the services to be performed at each location. If the Vendor received additional consideration in the evaluation based on work being performed in the United States, it shall be a breach of contract if the Vendor shifts any such work outside the United States.

Vendor may limit this information to the public finance office(s) and underwriting desk(s) from which it expects to provide services, and need not consider sales professionals.

- Location where services will be performed: Click here to enter text
Value of services performed at this location: Click here to enter text

- Location where services will be performed: Click here to enter text
Value of services performed at this location: Click here to enter text

2. PRICING

- 2.1 TYPE OF PRICING:** The Illinois Office of the Comptroller requires the State to indicate whether the contract value is firm or estimated at the time it is submitted for obligation. The maximum rate of this contract for its initial three year term is firm at \$2.00 per \$1,000.00 par amount of bonds underwritten. This maximum rate is approved by the Tollway’s Board of Directors. The total dollar value of this contract for its initial three year term is estimated at \$200,000, and may be modified pursuant to Tollway Board approval as provided by written resolution or otherwise in accordance with authority delegated by the Board.
- 2.2 EXPENSES ALLOWED:** The underwriting discount may include, subject to Tollway approval, expenses customary, reasonable and necessary for the issuance of revenue bonds by a governmental agency.
- 2.3 DISCOUNT:** Not applicable. The State may receive a ___% discount for payment within ___ days of receipt of correct invoice.
- 2.4 VENDOR’S PRICING:** Attach additional pages if necessary.

2.4.1 Vendor’s Price for the Initial Term:

Underwriting Takedowns <i>(expressed as \$ per \$1,000 par amount of bonds)</i>	
Bond Maturity*	Underwriting Takedown
Weekly Mode Variable Rate	\$0.75
1 Yr Fixed Rate	\$1.25
2 Yrs Fixed Rate	\$1.25
3 Yrs Fixed Rate	\$1.25
4 Yrs Fixed Rate	\$1.50
5 Yrs Fixed Rate	\$1.75
6 Yrs Fixed Rate	\$2.00
7 Yrs Fixed Rate	\$2.00
8 Yrs Fixed Rate	\$2.00
9 Yrs Fixed Rate	\$2.00
10+ Yrs Fixed Rate	\$2.00

** Maturities to be rounded to nearest year for purposes of determining applicable takedown. For variable rate bonds with modes one year or greater, the mode will be deemed a “maturity” for purposes of determining applicable takedown per the above chart.*

The above takedown compensations will apply whether the bonds are tax-exempt or taxable, and whether the bonds are senior lien or junior lien. Any underwriter discount will consist of the applicable takedown per the above and customary underwriting expenses. No management fee will be included. Compensation and expense reimbursement for underwriting an assigned transaction will be included in the applicable bond purchase agreement or other appropriate form of agreement and will be fully contingent on the closing of such transaction.

2.4.2 Renewal Compensation: If the contract is renewed, the price shall be at the same maximum rate as for the initial term unless a different compensation or formula for determining the renewal compensation is stated in this section.

2.5 MAXIMUM AMOUNT: Vendor's compensation under this Contract shall not exceed \$240,000.00 during the initial term without a formal amendment.

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3. TERM AND TERMINATION

3.1 TERM OF THIS CONTRACT: This contract has an initial term of October 27, 2017 to October 14, 2020. If a start date is not identified, the term shall commence upon the last dated signature of the Parties.

3.1.1 In no event will the total term of the contract, including the initial term, any renewal terms and any extensions, exceed 10 years.

3.1.2 Vendor shall not commence billable work in furtherance of the contract prior to final execution of the contract except when permitted pursuant to 30 ILCS 500/20-80.

3.2 RENEWAL:

3.2.1. Any renewal is subject to the same terms and conditions as the original contract unless otherwise provided in the pricing section. The State may renew this contract for any or all of the option periods specified, may exercise any of the renewal options early, and may exercise more than one option at a time based on continuing need and favorable market conditions, when in the best interest of the State. The contract may neither renew automatically nor renew solely at the Vendor's option.

3.2.2. Pricing for the renewal term(s), or the formula for determining price, is shown in the pricing section of this contract.

3.2.3. The State reserves the right to renew for a total of up to two years in any one of the following manners:

3.2.3.1 One renewal covering the entire renewal allowance;

3.2.3.2 Individual one-year renewals up to and including the entire renewal allowance; or

3.2.3.3 Any combination of full or partial year renewals up to and including the entire renewal allowance.

3.3 TERMINATION FOR CAUSE: The State may terminate this contract, in whole or in part, immediately upon notice to the Vendor if: (a) the State determines that the actions or inactions of the Vendor, its agents, employees or subcontractors have caused, or reasonably could cause, jeopardy to health, safety, or property, or (b) the Vendor has notified the State that it is unable or unwilling to perform the contract.

If Vendor fails to perform to the State's satisfaction any material requirement of this contract, is in violation of a material provision of this contract, or the State determines that the Vendor lacks the financial resources to perform the contract, the State shall either: (i) terminate the contract effective immediately; or (ii) provide written notice to the Vendor to cure the problem identified within the period of time specified in such written notice and, if not cured by that date, the State may either: (a) immediately terminate the contract without additional written notice or (b) enforce the terms and conditions of the contract.

immediately terminate the contract without additional written notice or (b) enforce the terms and conditions of the contract.

A termination of this contract will terminate the Vendor's ability to underwrite Tollway bonds or other debt from the date of such termination through the remaining term of the Senior Pool established by procurement process RFP#16-0155. A termination of this contract will not impact the Vendor's responsibilities in connection with any Tollway bond issuance or other transaction underwritten by the Vendor prior to any such termination of this contract.

For termination due to any of the causes contained in this Section, the State retains its rights to seek any available legal or equitable remedies and damages.

- 3.4 TERMINATION FOR CONVENIENCE:** The State may, for its convenience and with 30 days prior written notice to Vendor, terminate this contract in whole or in part and without payment of any penalty or incurring any further obligation to the Vendor.

A termination of this contract will terminate the Vendor's ability to underwrite Tollway bonds or other debt from the date of such termination through the remaining term of the Senior Pool established by procurement process RFP#16-0155. A termination of this contract will not impact the Vendor's responsibilities in connection with any Tollway bond issuance or other transaction underwritten by the Vendor prior to any such termination of this contract.

- 3.5 AVAILABILITY OF APPROPRIATION:** This contract is contingent upon and subject to the availability of funds. The State, at its sole option, may terminate or suspend this contract, in whole or in part, without penalty or further payment being required, if (1) the Illinois General Assembly or the federal funding source fails to make an appropriation sufficient to pay such obligation, or if funds needed are insufficient for any reason (30 ILCS 500/20-60), (2) the Governor decreases the Department's funding by reserving some or all of the Department's appropriation(s) pursuant to power delegated to the Governor by the Illinois General Assembly, or (3) the Department determines, in its sole discretion or as directed by the Office of the Governor, that a reduction is necessary or advisable based upon actual or projected budgetary considerations. Contractor will be notified in writing of the failure of appropriation or of a reduction or decrease.

4. STANDARD BUSINESS TERMS AND CONDITIONS

4.1 PAYMENT TERMS AND CONDITIONS:

- 4.1.1 Late Payment: Payments, including late payment charges, will be paid in accordance with the State Prompt Payment Act and rules when applicable. 30 ILCS 540; 74 Ill. Adm. Code 900. This shall be Vendor's sole remedy for late payments by the State. Payment terms contained on Vendor's invoices shall have no force and effect.
- 4.1.2 Minority Contractor Initiative: Any Vendor awarded a contract under Section 20-10, 20-15, 20-25 or 20-30 of the Illinois Procurement Code (30 ILCS 500) of \$1,000 or more is required to pay a fee of \$15. The Comptroller shall deduct the fee from the first check issued to the Vendor under the contract and deposit the fee in the Comptroller's Administrative Fund. 15 ILCS 405/23.9.
- 4.1.3 Expenses: The State will not pay for supplies provided or services rendered, including related expenses, incurred prior to the execution of this contract by the Parties even if the effective date of the contract is prior to execution.
- 4.1.4 Prevailing Wage: As a condition of receiving payment Vendor must (i) be in compliance with the contract, (ii) pay its employees prevailing wages when required by law, (iii) pay its suppliers and subcontractors according to the terms of their respective contracts, and (iv) provide lien waivers to the State upon request. Examples of prevailing wage categories include public works, printing, janitorial, window washing, building and grounds services, site technician services, natural resource services, security guard and food services. The prevailing wages are revised by the Department of Labor and are available on the Department's official website, which shall be deemed proper notification of any rate changes under this subsection. Vendor is responsible for contacting the Illinois Department of Labor to ensure understanding of prevailing wage requirements at 217-782-6206 or (<http://www.state.il.us/agency/idol/index.htm>).
- 4.1.5 Federal Funding: This contract may be partially or totally funded with Federal funds. If federal funds are expected to be used, then the percentage of the good/service paid using Federal funds and the total Federal funds expected to be used will be provided in the award notice.
- 4.1.6 Invoicing: By submitting an invoice, Vendor certifies that the supplies or services provided meet all requirements of the contract, and the amount billed and expenses incurred are as allowed in the contract. Invoices for supplies purchased, services performed and expenses incurred through June 30 of any year must be submitted to the State no later than July 31 of that year; otherwise Vendor may have to seek payment through the Illinois Court of Claims. 30 ILCS 105/25. All invoices are subject to statutory offset. 30 ILCS 210.
- 4.1.6.1 Vendor shall not bill for any taxes unless accompanied by proof that the State is subject to the tax. If necessary, Vendor may request the applicable Agency/University state tax exemption number and federal tax exemption information.
- 4.1.6.2 Vendor shall invoice at the completion of the contract unless invoicing is tied in the contract to milestones, deliverables, or other invoicing requirements agreed to in the contract.

Send invoices to:

Agency:	Illinois Tollway
Attn:	Finance Department
Address:	2700 Ogden Ave
City, State Zip	Downers Grove, Illinois 60515

- 4.2 ASSIGNMENT:** This contract may not be assigned, transferred in whole or in part by Vendor without the prior written consent of the State.
- 4.3 SUBCONTRACTING:** For purposes of this section, subcontractors are those specifically hired by the Vendor to perform all or part of the work covered by the contract. Vendor must receive prior written approval before use of any subcontractors in the performance of this contract. Vendor shall describe, in an attachment if not already provided, the names and addresses of all authorized subcontractors to be utilized by Vendor in the performance of this contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money that each subcontractor is expected to receive pursuant to this contract. If required, Vendor shall provide a copy of any subcontracts within 15 days after execution of this contract. All subcontracts must include the same certifications that Vendor must make as a condition of this contract. Vendor shall include in each subcontract the subcontractor certifications as shown on the Standard Subcontractor Certification form available from the State. If at any time during the term of the Contract, Vendor adds or changes any subcontractors, then Vendor must promptly notify, by written amendment to the Contract, the State Purchasing Officer or the Chief Procurement Officer of the names and addresses and the expected amount of money that each new or replaced subcontractor will receive pursuant to the Contract.
- 4.4 AUDIT/RETENTION OF RECORDS:** Vendor and its subcontractors shall maintain books and records relating to the performance of the contract or subcontract and necessary to support amounts charged to the State pursuant the contract or subcontract. Books and records, including information stored in databases or other computer systems, shall be maintained by the Vendor for a period of three years, or longer if necessary to comply with regulatory requirements, from the later of the date of final payment under the contract or completion of the contract, and by the subcontractor for a period of three years, or longer if necessary to comply with regulatory requirements, from the later of final payment under the term or completion of the subcontract. If federal funds are used to pay contract costs, the Vendor and its subcontractors must retain its records for five years, or longer if necessary to comply with regulatory requirements. Books and records required to be maintained under this section shall be available for review or audit by representatives of: the procuring Agency/University, the Auditor General, the Executive Inspector General, the Chief Procurement Officer, State of Illinois internal auditors or other governmental entities with monitoring authority, upon reasonable notice and during normal business hours. Vendor and its subcontractors shall cooperate fully with any such audit and with any investigation conducted by any of these entities. Failure to maintain books and records as required by this section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under the contract for which adequate books and records are not available to support the purported disbursement. The Vendor or subcontractors shall not impose a charge for audit or examination of the Vendor's books and records. 30 ILCS 500/20-65.

- 4.5 TIME IS OF THE ESSENCE:** Time is of the essence with respect to Vendor's performance of this contract. Vendor shall continue to perform its obligations while any dispute concerning the contract is being resolved unless otherwise directed by the State.
- 4.6 NO WAIVER OF RIGHTS:** Except as specifically waived in writing, failure by a Party to exercise or enforce a right does not waive that Party's right to exercise or enforce that or other rights in the future.
- 4.7 FORCE MAJEURE:** Failure by either Party to perform its duties and obligations will be excused by unforeseeable circumstances beyond its reasonable control and not due to its negligence, including acts of nature, acts of terrorism, riots, labor disputes, fire, flood, explosion, and governmental prohibition. The non-declaring Party may cancel the contract without penalty if performance does not resume within 30 days of the declaration.
- 4.8 CONFIDENTIAL INFORMATION:** Each Party, including its agents and subcontractors, to this contract may have or gain access to confidential data or information owned or maintained by the other Party in the course of carrying out its responsibilities under this contract. Vendor shall presume all information received from the State or to which it gains access pursuant to this contract is confidential. Vendor information, unless clearly marked as confidential and exempt from disclosure under the Illinois Freedom of Information Act, shall be considered public. No confidential data collected, maintained, or used in the course of performance of the contract shall be disseminated except as authorized by law and with the written consent of the disclosing Party, either during the period of the contract or thereafter. The receiving Party must return any and all data collected, maintained, created or used in the course of the performance of the contract, in whatever form it is maintained, promptly at the end of the contract, or earlier at the request of the disclosing Party. The foregoing obligations shall not apply to confidential data or information lawfully in the receiving Party's possession prior to its acquisition from the disclosing Party; received in good faith from a third Party not subject to any confidentiality obligation to the disclosing Party; now is or later becomes publicly known through no breach of confidentiality obligation by the receiving Party; is independently developed by the receiving Party without the use or benefit of the disclosing Party's confidential information. In connection with any offering of securities by the Tollway in which Vendor is involved as an underwriter, agent, dealer or similar participant, nothing in this contract shall: (i) prevent Vendor from complying with all applicable disclosure laws, regulations and principles in connection with such offering; (ii) restrict the ability of Vendor to consider information for due diligence purposes or share information with other underwriters, agents or dealers participating in such offering; (iii) prevent Vendor from retaining documents or other information in connection with due diligence; (iv) prevent Vendor from using any such documents or other information in investigating or defending itself against claims made or threatened by purchasers, regulatory authorities or others in connection with such offering. Any provision of this section that conflicts with the Vendor's disclosure obligations under state or federal securities laws or rules is excepted from this section.
- 4.9 USE AND OWNERSHIP:** All work performed or supplies created by Vendor under this contract, whether written documents or data, goods or deliverables of any kind, shall be deemed work for hire under copyright law and all intellectual property and other laws, and the State of Illinois is granted sole and exclusive ownership to all such work, unless otherwise agreed in writing. Vendor hereby assigns to the State all right, title, and interest in and to such work including any related intellectual property rights,

and/or waives any and all claims that Vendor may have to such work including any so-called "moral rights" in connection with the work. Vendor acknowledges the State may use the work product for any purpose. Confidential data or information contained in such work shall be subject to confidentiality provisions of this contract.

4.10 INDEMNIFICATION: The Vendor shall indemnify and hold harmless the State of Illinois, The Illinois State Tollway Highway Authority, its officers, employees, and agents from any and all costs, demands, expenses, losses, claims, damages, liabilities, settlements, and judgments, including in-house and contracted attorneys' fees and expenses, arising out of: (a) any breach or violation by Vendor of any of its certifications, representations, warranties, covenants or agreements; (b) any actual or alleged death or injury to any person, damage to any real or personal property, or any other damage or loss claimed to result in whole or in part from Vendor's negligent performance; (c) any act, activity or omission of Vendor or any of its employees, representatives, subcontractors or agents; or (d) any actual or alleged claim that the services or goods provided under this contract infringe, misappropriate, or otherwise violate any intellectual property (patent, copyright, trade secret, or trademark) rights of a third party.

4.11 INSURANCE: The Vendor shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work by the Vendor, his/her agents, representatives, employees or subcontractors. Work shall not commence until insurance required by this section has been obtained and documentation submitted to the Tollway for acceptance. All coverages must be with Insurance Companies with an A.M. Best Company financial strength rating of "A minus" or better. Insurance coverage shall not limit Vendor's obligation to indemnify, defend or settle any claims.

- A. Minimum Scope of Insurance Coverage shall be at least as broad as:
1. Commercial General Liability coverage on an unmodified, Insurance Service Office "Occurrence" form, current edition or an alternative form providing equivalent protection.
 2. Automobile Liability on an unmodified, Insurance Service Office form, current edition or an alternative form providing equivalent protection.
 3. Worker's Compensation insurance as required by the State of Illinois and including Employers Liability.
- B. Minimum Limits of Insurance Contractor or vendor shall maintain no less than:
1. Commercial General Liability: \$1,000,000 each occurrence for bodily injury, personal injury, and property damage and \$2,000,000 general aggregate and \$2,000,000 products/completed operations aggregate.
 2. Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage.
 3. Worker's Compensation and Employers Liability: Statutory Limits with Employers Liability limit of not less than \$500,000 per occurrence.

In addition to the above, the Vendor shall maintain, for the duration of the contract, professional liability insurance in a minimum amount of the greater of \$1,000,000 and any higher amount required by law or regulatory authority. Work shall not commence until documentation acceptable to the Tollway evidencing such professional liability insurance has been provided.

The Illinois State Toll Highway Authority including all appointed officials and employees, shall be named "Additional Insured" as part of the commercial general liability and automobile liability coverage. This coverage shall be primary for the Additional Insured and not contributing with any other insurance or similar protection available to the Additional Insured, whether said other coverage be primary, contributing or excess.

All deductibles or self-insured retentions must be declared and recognized by the Authority. Proof of insurance shall include originals of the applicable "additional insured" endorsements for approval of the Authority. Any failure by the Authority to request proof of insurance will not waive the requirement of maintenance of minimum protection specified.

- 4.12 INDEPENDENT CONTRACTOR:** Vendor shall act as an independent contractor and not an agent or employee of, or joint venture with the State. All payments by the State shall be made on that basis.
- 4.13 SOLICITATION AND EMPLOYMENT:** Vendor shall not employ any person employed by the State during the term of this contract to perform any work under this contract. Vendor shall give notice immediately to the Agency's director if Vendor solicits or intends to solicit State employees to perform any work under this contract.
- 4.14 COMPLIANCE WITH THE LAW:** The Vendor, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations, orders, federal circulars and all license and permit requirements in the performance of this contract. Vendor shall be in compliance with applicable tax requirements and shall be current in payment of such taxes. Vendor shall obtain at its own expense, all licenses and permissions necessary for the performance of this contract.
- 4.15 BACKGROUND CHECK:** Whenever the State deems it reasonably necessary for security reasons, the State may conduct, at its expense, criminal and driver history background checks of Vendor's and subcontractors officers, employees or agents. Vendor or subcontractor shall reassign immediately any such individual who, in the opinion of the State, does not pass the background check.
- 4.16 APPLICABLE LAW:** This contract shall be construed in accordance with and is subject to the laws and rules of the State of Illinois. The Department of Human Rights' Equal Opportunity requirements (44 Ill. Adm. Code 750) are incorporated by reference. Any claim against the State arising out of this contract must be filed exclusively with the Illinois Court of Claims. 705 ILCS 505/1. The State shall not enter into binding arbitration to resolve any contract dispute. The State of Illinois does not waive sovereign immunity by entering into this contract. The official text of cited statutes is incorporated by reference. An unofficial version can be viewed at (www.ilga.gov/legislation/ilcs/ilcs.asp).
- 4.17 ANTI-TRUST ASSIGNMENT:** If Vendor does not pursue any claim or cause of action it has arising under federal or state antitrust laws relating to the subject matter of the contract, then upon request of the Illinois Attorney General, Vendor shall assign to the State rights, title and interest in and to the claim or cause of action.
- 4.18 CONTRACTUAL AUTHORITY:** The Agency that signs for the State of Illinois shall be the only State entity responsible for performance and payment under the contract. When the Chief Procurement Officer or

authorized designee signs in addition to an Agency, they do so as approving officer and shall have no liability to Vendor. When the Chief Procurement Officer or authorized designee, or State Purchasing Officer signs a master contract on behalf of State agencies, only the Agency that places an order with the Vendor shall have any liability to Vendor for that order.

4.19 NOTICES: Notices and other communications provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by courier (UPS, Federal Express or other similar and reliable carrier), by e-mail, or by fax showing the date and time of successful receipt. Notices shall be sent to the individuals who signed the contract using the contact information following the signatures. Each such notice shall be deemed to have been provided at the time it is actually received. By giving notice, either Party may change the contact information.

4.20 MODIFICATIONS AND SURVIVAL: Amendments, modifications and waivers must be in writing and signed by authorized representatives of the Parties. Any provision of this contract officially declared void, unenforceable, or against public policy, shall be ignored and the remaining provisions shall be interpreted, as far as possible, to give effect to the Parties' intent. All provisions that by their nature would be expected to survive, shall survive termination. In the event of a conflict between the State's and the Vendor's terms, conditions and attachments, the State's terms, conditions and attachments shall prevail.

4.21 PERFORMANCE RECORD / SUSPENSION: Upon request of the State, Vendor shall meet to discuss performance or provide contract performance updates to help ensure proper performance of the contract. The State may consider Vendor's performance under this contract and compliance with law and rule to determine whether to continue the contract, suspend Vendor from doing future business with the State for a specified period of time, or to determine whether Vendor can be considered responsible on specific future contract opportunities.

4.22 FREEDOM OF INFORMATION ACT: This contract and all related public records maintained by, provided to or required to be provided to the State are subject to the Illinois Freedom of Information Act (FOIA) (50 ILCS 140) notwithstanding any provision to the contrary that may be found in this contract.

4.23 SCHEDULE OF WORK: Any work performed on State premises shall be done during the hours designated by the State and performed in a manner that does not interfere with the State and its personnel.

4.24 WARRANTIES FOR SUPPLIES AND SERVICES:

4.24.1. Vendor warrants that the supplies furnished under this contract will: (a) conform to the standards, specifications, drawing, samples or descriptions furnished by the State or furnished by the Vendor and agreed to by the State, including but not limited to all specifications attached as exhibits hereto; (b) be merchantable, of good quality and workmanship, and free from defects for a period of twelve months or longer if so specified in writing, and fit and sufficient for the intended use; (c) comply with all federal and state laws, regulations and ordinances pertaining to the manufacturing, packing, labeling, sale and delivery of the supplies; (d) be of good title and be free and clear of all liens and encumbrances and; (e) not infringe any patent,

copyright or other intellectual property rights of any third party. Vendor agrees to reimburse the State for any losses, costs, damages or expenses, including without limitations, reasonable attorney's fees and expenses, arising from failure of the supplies to meet such warranties.

4.24.2. Vendor shall insure that all manufacturers' warranties are transferred to the State and shall provide a copy of the warranty. These warranties shall be in addition to all other warranties, express, implied or statutory, and shall survive the State's payment, acceptance, inspection or failure to inspect the supplies.

4.24.3. Vendor warrants that all services will be performed to meet the requirements of the contract in an efficient and effective manner by trained and competent personnel. Vendor shall monitor performances of each individual and shall reassign immediately any individual who is not performing in accordance with the contract, who is disruptive or not respectful of others in the workplace, or who in any way violates the contract or State policies.

4.25 REPORTING, STATUS AND MONITORING SPECIFICATIONS: Vendor shall immediately notify the State of any event that may have a material impact on Vendor's ability to perform the contract.

4.26 EMPLOYMENT TAX CREDIT: Vendors who hire qualified veterans and certain ex-offenders may be eligible for tax credits. 35 ILCS 5/216, 5/217. Please contact the Illinois Department of Revenue (telephone #: 217-524-4772) for information about tax credits.

5. SUPPLEMENTAL PROVISIONS

5.1. STATE SUPPLEMENTAL PROVISIONS

- Illinois Tollway Definitions
Click here to enter text.
- Required Federal Clauses, Certifications and Assurances
Click here to enter text.
- Public Works Requirements (construction and maintenance of a public work) 820 ILCS 130/4.
Click here to enter text.
- Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than \$200 per month or \$2,000 per year or printing) 30 ILCS 500/25-60.
Click here to enter text.
- Illinois Tollway Specific Terms and Conditions
Click here to enter text.
- Other (describe)
Click here to enter text.

5.2. TOLLWAY SUPPLEMENTAL PROVISIONS:

- Definitions
- Required Federal Clauses, Certifications and Assurances
- ARRA Requirements (American Recovery and Reinvestment Act of 2009)
- Public Works Requirements (construction and maintenance of a public work) (820 ILCS 130/4)
- Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than \$200 per month or \$2000 per year (30 ILCS 500/25-60)
- Prevailing Wage (all printing contracts) (30 ILCS 500/25-60)
- BEP Subcontracting Requirements (Utilization Plan and Letter of Intent)
- PAYMENT OF TOLLS: The Vendor shall be required to pay the full amount of tolls, if any, incurred by it during the duration of the contract. Said tolls will not be refunded by the Illinois Tollway. Furthermore, in the event that a final determination is made by the Illinois Tollway that the Contractor has failed to pay any required tolls and associated fines, the Illinois Tollway is authorized to take steps necessary to withhold the amounts of the unpaid tolls and fines from any payment due the contractor by the Illinois Tollway and/or other Tollway of Illinois office, department, commission, board or agency.

5.3 AGENCY SUPPLEMENTAL TERMS AND CONDITIONS:

5.3.1 Order of Precedence:

With respect to any inconsistency or conflict, the following order of precedence shall prevail:

1. Sections 1-7 of this Contract
2. The Vendor's Response to the RFP including Vendor submissions subsequent to the initial proposal that were part of the negotiation process, to the extent applicable and agreed upon (included in Section 8 of this Contract)
3. The RFP, including any addendum thereto (also included in Section 8 of this Contract)

NOTE: This contract establishes the terms and conditions under which the Vendor is available to be assigned by the Tollway, on an as-needed basis as determined by the Tollway, to underwrite Tollway bonds or other debt. Any such underwriting shall be pursuant to a bond purchase agreement or other appropriate form of agreement entered into by the Vendor and the Tollway at the time the Vendor underwrites the Tollway bonds or other debt. Such bond purchase agreement or other appropriate form of agreement shall be the exclusive agreement governing any such underwriting with respect to each party's performance, duties, rights, responsibilities, obligations and liabilities.

5.3.2 Agents and Employees:

Vendor shall be responsible for the negligent acts and omissions of its agents, employees and if applicable, subcontractors in their performance of Vendor's duties under this Contract. Vendor represents that it shall utilize the services of individuals skilled in the profession for which they will be used in performing services or supplying goods hereunder. In the event that the Tollway/Buyer determines that any individual performing services or supplying goods for Vendor hereunder is not providing such skilled services or delivery of goods, it shall promptly notify the Vendor and the Vendor shall replace that individual.

5.3.3 Publicity:

Vendor shall not, in any advertisement or any other type of solicitation for business, state, indicate or otherwise imply that it is under contract to the Tollway/Buyer nor shall the Tollway/Buyer's name be used in any such advertisement or solicitation without prior written approval except as required by law.

5.3.4 Consultation:

Vendor shall keep the Tollway/Buyer fully informed as to the progress of matters covered by this Contract. Where time permits and Vendor is not otherwise prohibited from so doing, Vendor shall offer the Tollway/Buyer the opportunity to review relevant documents prior to filing with any public body or adversarial party.

5.3.5 Third Party Beneficiaries:

There are no third party beneficiaries to this Contract. This Contract is intended only to benefit the Tollway/Buyer and the Vendor.

5.3.6 Successors in Interest:

All the terms, provisions, and conditions of the Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

5.3.7 Vendor's Termination Duties:

The Vendor, upon receipt of notice of termination or upon request of the Tollway/Buyer, shall:

- 5.3.7.1 Cease work under this Contract and take all necessary or appropriate steps to limit disbursements and minimize costs, and furnish a report within thirty (30) days of the date of notice of termination, describing the status of all work under the Contract,

including, without limitation, results accomplished, conclusions resulting there from, any other matters the Tollway/Buyer may require;

- 5.3.7.2 Immediately cease using and return to the Tollway/Buyer any personal property or materials, whether tangible or intangible, provided by the Tollway/Buyer to the Vendor;
- 5.3.7.3 Comply with the Tollway/Buyer's instructions for the timely transfer of any active files and work product produced by the Vendor under this Contract;
- 5.3.7.4 Cooperate in good faith with the Tollway/Buyer, its employees, agents and contractors during the transition period between the notification of termination and the substitution of any replacement contractor;
- 5.3.7.5 Immediately return to the Tollway/Buyer any payments made by the Tollway/Buyer for services that were not rendered by the Vendor.

5.3.8. Inspector General:

The Vendor/Contractor hereby acknowledges that pursuant to Section 8.5 of the Toll Highway Act (605 ILCS 10/8.5) the Inspector General of The Illinois State Toll Highway Authority has the authority to conduct investigations into certain matters including but not limited to allegations of fraud, waste and abuse, and to conduct reviews. The Vendor/Contractor will fully cooperate in any OIG investigation or review. Cooperation includes providing access to all information and documentation related to the goods/services described in this Agreement, and disclosing and making available all personnel involved or connected with these goods/services or having knowledge of these goods/services. All subcontracts must inform Subcontractors of this provision and their duty to comply.

5.4 OVERTIME:

Not applicable. If overtime is contemplated and provided for in this contract, all work performed by Vendor at overtime rates shall be pre-approved by the Tollway/Buyer.

5.5 VENUE AND ILLINOIS LAW:

Any claim against the Tollway arising out of this contract must be filed exclusively with Circuit Court for the Eighteenth Judicial Circuit, DuPage County, Illinois for State claims and the U.S. District Court for the Northern District of Illinois for Federal claims.

- 5.5.1 Whenever "State" is used or referenced in this Contract, it shall be interpreted to mean the Illinois State Toll Highway Authority.
- 5.5.2 The State Prompt Payment Act (30 ILCS 40) does not apply to the Tollway. Therefore, the first two sentences of paragraph 4.1.1 are deleted.
- 5.5.3. The Tollway is not currently an annually appropriated agency. Therefore, to the extent paragraph 3.5 concerns the Tollway being an annually appropriated agency, it does not apply.
- 5.5.4. The second sentence of paragraph 4.1.6 does not apply to the Tollway and is deemed stricken.

5.6 REPORT OF A CHANGE IN CIRCUMSTANCES:

The Vendor agrees to report to the Tollway as soon as practically possible, but no later than 21 days following any change in facts or circumstances that might impact the Vendor's ability to satisfy its legal or contractual responsibilities and obligations under this contract. Required reports include, but are not limited to, changes in the Vendor's Certification/Disclosure Forms, the Vendor's IDOT pre-qualification (if/as applicable), or any certification or licensing required for this project. Additionally, Vendor agrees to report to the Tollway within the above timeframe any arrests, indictments, convictions or other

matters involving the Vendor, or any of its principals, that might occur while this contract is in effect. This reporting requirement does not apply to common offenses, including but not limited to minor traffic/vehicle offenses.

Further, the Vendor agrees to incorporate substantially similar reporting requirements into the terms of any and all subcontracts relating to work performed under this agreement. The Vendor agrees to forward or relay to the Tollway any reports received from subcontractors pursuant to this paragraph within 21 days.

Finally, the Vendor acknowledges and agrees that the failure of the Vendor to comply with this reporting requirement shall constitute a material breach of contract which may result in this contract being declared void.

**STATE OF ILLINOIS
TAXPAYER IDENTIFICATION NUMBER**

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name and SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

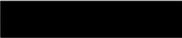
Name: Kevin Hoecker

Business Name: RBC Capital Markets, LLC DBA RBC Wealth Management

Taxpayer Identification Number:

Social Security Number: [Click here to enter text.](#)

or

Employer Identification Number 

Legal Status (check one):

- | | |
|--|---|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental |
| <input type="checkbox"/> Sole Proprietor | <input type="checkbox"/> Nonresident alien |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or trust |
| <input type="checkbox"/> Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/Funeral Home/Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing
medical and/or health care services | <input checked="" type="checkbox"/> Limited Liability Company
(select applicable tax classification) |
| <input type="checkbox"/> Corporation NOT providing or billing
medical and/or health care services | <input checked="" type="checkbox"/> C = corporation |
| | <input type="checkbox"/> P = partnership |

Signature of Authorized Representative: 

Date: January 27, 2017

**STATE OF ILLINOIS
FORMS A**

A vendor responding to a solicitation by the State of Illinois must return the information requested within this section with their bid or offer if they are not registered in the Illinois Procurement Gateway (IPG). Failure to do so may render their bid or offer non-responsive and result in disqualification.

Please read this entire Forms A and provide the requested information as applicable and per the instructions. All forms and signature areas contained in this Forms A must be completed in full and submitted along with the bid in an Invitation for Bid; and completed in full and submitted along with the technical response and price proposal, which combined will constitute the Offer, in a Request for Proposal.

Vendor Name: RBC Capital Markets, LLC DBA RBC Wealth Management	Phone: (312) 559-3877
Street Address: 500 W. Madison Street, Suite 2500	Email: kevin.hoecker@rbccm.com
City, State Zip: Chicago, IL 60661	Vendor Contact: Kevin Hoecker

In compliance with the State and Federal Constitutions, the Illinois Human Rights Act, the U.S. Civil Rights Act, and Section 504 of the Federal Rehabilitation Act, the State of Illinois does not discriminate in employment, contracts, or any other activity.

The State of Illinois encourages prospective vendors to consider hiring qualified veterans and Illinois residents discharged from any Illinois adult correctional center, in appropriate circumstances.

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

- Vendor
- Vendor's Parent Entity(ies) (100% ownership)
- Subcontractor(s) >\$50,000 (annual value)
- Subcontractor's Parent Entity(ies) (100% ownership) > \$50,000 (annual value)

Project Name	Bond Underwriting Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	RBC Capital Markets, LLC
Doing Business As (DBA)	RBC Wealth Management
Disclosing Entity	RBC Capital Markets, LLC DBA RBC Wealth Management
Disclosing Entity's Parent Entity	
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Limited Liability Company Membership Agreement (Series LLC, Low-Profit Limited Liability Company) <input type="checkbox"/> If you selected Other, please describe: Click here to enter text.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

STEP 1

SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

Option 1 – Publicly Traded Entities

- 1.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 1.B. Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

Option 2 – Privately Held Entities with more than 100 Shareholders

- 2.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 2.B. Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

Option 3 – All other Privately Held Entities, not including Sole Proprietorships

- 3.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

Option 4 – Foreign Entities

- 4.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 4.B. Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

Option 5 – Not-for-Profit Entities

- Complete Step 2, Option B.

Option 6 – Sole Proprietorships

- Skip to Step 3.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

STEP 2

DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Complete either Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds \$106,447.20.

Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	Address	Percentage of Ownership	\$ Value of Ownership
RBC USA Holdco Corporation, a Delaware Corporation	200 Vesey Street, New York, NY 10281	99%	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor’s total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds \$106,447.20.

Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	Address	% of Distributive Income	\$ Value of Distributive Income
RBC USA Holdco Corporation, a Delaware Corporation	200 Vesey Street, New York, NY 10281	99%	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than \$106,447.20.

Yes No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than \$106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

Yes No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	Address
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT
 (Complete only if bid, offer, or contract has an annual value over \$50,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

Yes No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Name	Address	Relationship to Disclosing Entity
R. Stratford Shields	500 West Madison St., Suite 2500 Chicago, IL 60661	Managing Director, Employee
Kevin Hoecker	500 West Madison St., Suite 2500 Chicago, IL 60661	Director, Employee
James Kelly	500 West Madison St., Suite 2500 Chicago, IL 60661	Director, Employee

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Salary plus bonus. They do not receive any additional compensation above their regular salary and bonus.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

STEP 4

PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: [Click here to enter text.](#)

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? Yes No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% (\$106,447.20) of the salary of the Governor? Yes No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? Yes No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? Yes No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor (\$177,412.00)? Yes No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor (\$354,824.00)? Yes No

STEP 5

POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over \$50,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: [Click here to enter text.](#)

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? Yes No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? Yes No

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? Yes No
4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? Yes No
5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? Yes No
6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? Yes No
7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? Yes No
8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? Yes No
9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? Yes No
10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? Yes No

STEP 6

EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)

(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS
 (Complete only if bid, offer, or contract has an annual value over \$50,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: R. Stratford Shields, Kevin Hoecker, & James Kelly. RBC Capital Markets, LLC DBA RBC Wealth Management. RBC USA Holdco.

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? Yes No
2. Within the previous ten years, have you had any professional licensure discipline? Yes No
3. Within the previous ten years, have you had any bankruptcies? Yes No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? Yes No
5. Within the previous ten years, have you had any criminal felony convictions? Yes No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual. [Click here to enter text.](#)

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS
 (Complete only if bid, offer, or contract has an annual value over \$50,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

Yes No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

State of Illinois Office of Budget and Management	Bond Underwriting	Active	Approximately \$800,000	22038948
Illinois Housing Development Authority	Municipal Housing Investment Banking Firms	Active	Approximately \$500,000	22036750

Please explain the procurement relationship: Vendor

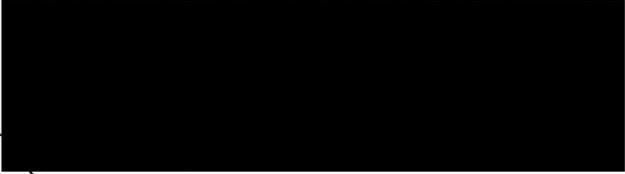
STEP 9

SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: RBC Capital Markets, LLC DBA RBC Wealth Management

Signature: 

Date: January 27, 2017

Printed Name: Kevin Hoecker

Title: Director

Phone Number: (312) 559-3877

Email Address: kevin.hoecker@rbccm.com

RBC Capital Markets Response
to the Illinois State Toll Highway
Authority Request for Proposals
for Bond Underwriting Services

RFP# 16-0155

February 3, 2017



RBC Capital Markets



February 3, 2017

Ms. Desiree Liberti, Purchasing Supervisor
Illinois Tollway
2700 Ogden Avenue
Downers Grove, IL 60515

Dear Ms. Liberti:

On behalf of RBC Capital Markets, LLC ("RBCCM" or the "Firm"), we appreciate the opportunity to respond to the Request for Proposal for Bond Underwriting Services for the Illinois State Toll Highway Authority ("Tollway" or "Authority"). We are eager for the opportunity to display our strengths and superior execution by continuing to serve the Authority. RBCCM is one of the industry's strongest financial institutions, and utilizes this financial strength and stability to support and facilitate our clients' financing needs. We believe RBCCM distinguishes itself from its competitors in the following ways:

Uniquely Positioned with Long-Term Tollway Knowledge. Since 2008 RBCCM has heavily invested in the municipal finance business including the addition of 76 municipal finance bankers. As part of this expansion, RBCCM's focus on the transportation sector and the Midwest region was significantly enhanced with the hiring of Jim Kelly in 2014 to join Kevin Hoecker in our Chicago office and Michael Lexton, the Head of our Transportation Group, in New York. ***The RBCCM team has a unique relationship with the Tollway through having the team with the most experience with Tollway financings relative to any of our competitors, with members of our team having served the Tollway as senior manager for seven transactions and as financial advisor for 10 transactions over the past 12 years.***

Comprehensive Marketing and Distribution Capabilities. The strength of our multi-tiered platform for distributing tax-exempt bonds is our 54 person underwriting, sales, trading and marketing team. Our marketing capabilities surpass all others in the industry. While we cover Tier I investors as well as any Wall Street firm, our regional office network aggressively covers Tier II and III "middle market institutions" long ignored by New York-centric firms. Almost 1,900 Wealth Management professionals manage over \$200 billion in investments covering 753,229 accounts with over \$30 billion in municipal bonds, enabling us to tap into the retail market. RBCCM brings the highest level of market intelligence to a negotiated pricing by leveraging our competitive advantage of being the leader in number of negotiated issues annually among the top underwriters. As a result of senior managing 10 to 12 issues per week on average, RBCCM has a unique "feel" for the market on any given day regarding specific investor preferences. ***It is this breadth and distribution that allowed RBCCM to garner orders from 58 different investors for the 2016 Series A bonds.***

Ability and Willingness to Commit Capital and Offer Balance. The strength of our balance sheet and stability of our institution are distinguishing attributes that enables RBCCM to make the strongest commitment an underwriter can make of underwriting large unsold balances during volatile markets. RBCCM does this regularly as senior manager. This strong level of commitment saves our clients the penalty of pricing at a higher market clearing level. We are also able to offer our clients balance sheet products. As you know, we currently have an \$87.5 million letter of credit outstanding with the Authority and, today, ***we closed on the Authority's first Direct Purchase for the \$191.6 million 2008 Series A1-b insured bonds***, which is a representation of the long and valued partnership between RBC and the Authority beyond underwriting services.

We appreciate the opportunity to submit this response and hope to be given the opportunity to continue contributing to the Authority's financial success. If you have any questions or would like any additional information, please let us know.

Sincerely,

Jim Kelly
Director
Chicago, Illinois
(312) 559-3880
james.kelly@rbccm.com

Kevin Hoecker
Director
Chicago, Illinois
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kevin.hoecker@rbccm.com

Michael Lexton
Managing Director
New York, New York
(212) 905-5907
michael.lexton@rbccm.com

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Appendix A: Resumes

Appendix B: References

Appendix C: Senior Manager Transportation Transaction List

Appendix D: Exceptions to Solicitation and Contract Terms and Conditions

Disclaimer

RBC Capital Markets, LLC ("RBCCM"), seeks to serve as an underwriter on a future transaction and not as a financial advisor or municipal advisor. The information provided is for discussion purposes only in anticipation of being engaged to serve as an underwriter. The primary role of an underwriter is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the Issuer. RBCCM is not recommending an action to you as the municipal entity or obligated person. RBCCM is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication. RBCCM is acting for its own interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

3. Executive Summary

The Offeror shall prepare an Executive Summary that includes statements that: (i) identify whether the Offeror is responding for the Senior Pool or the Co-Manager Pool; (ii) demonstrate the Offeror understands the services specified in the RFP; (iii) the Offeror is registered and in good standing as a broker dealer with the Municipal Securities Rulemaking Board; (iv) the Offeror will agree with Section 3 F "Standard Terms and Conditions" and that any exceptions to such agreement are included in Section 3 G; and (v) provide a brief (one paragraph) overview of qualifications.

(i) RBC Capital Markets ("RBCCM" or the "Firm") is pleased to submit this response to the Illinois State Toll Highway Authority's (the "Tollway" or "Authority") Request for Proposals for Bond Underwriting Services. RBCCM wishes to be considered for the Senior Pool.

(ii) We understand the services specified in the RFP for firms in the Senior Pool and we are able to provide all such services. *Having serving as senior manager for the Authority related to \$264.555 million 2014 Series D Refunding Bonds, the \$333.060 million 2016 Series A Refunding Bonds and the recent direct purchase of the 2008 Series A1-b Bonds, we have repeatedly demonstrated our abilities to provide the requested services.* Our firm has shown the strength of our platform in leading the underwriting syndicate, marketing and pricing the bonds, reviewing bond documents, preparing rating materials and successfully executing senior managed transactions for the Authority, working in conjunction with the Authority's financial advisor.

(iii) RBCCM is registered and is in good standing as a broker dealer with the Municipal Securities Rulemaking Board.

(iv) RBCCM will agree with Section 3 F Standard Terms and Conditions with the condition that the firm reserves the right to further review the indemnification provisions. RBCCM is able to meet the insurance requirements as outlined in the RFP. In **Appendix D** we provide a couple of minor comments to F12 (Insurance).

(v) RBCCM provides the following qualifications as senior manager:

- Headquartered in New York City, RBCCM's Municipal Markets Group is one of the largest and most stable firms in the municipal industry
- #5 ranked national senior manager for negotiated bond volume each year since 2011
- Parent company is a diversified global financial services company and a leading provider of financial products and services with over 7,100 professionals and support staff operating from 70 offices in 15 countries.
- RBCCM's #1 core value is "Client Focus." For the Authority we have assembled a dedicated team with a strong history of service to the Tollway and we developed a thoughtful financing plan for the Authority's new money needs over the next five years and incorporating refunding opportunities. Our financing plan analyzes the impact of issuing the proposed \$1.6 billion of bonds through a level debt service structure with amortization in years 15 – 25 of each issuance, and as an alternative, we have shown the bonds with a wrapped debt service structure around the outstanding debt of the Authority. Ultimately, issuing a wrapped debt service structure would save the Authority approximately \$103.8 million in deposits to the Debt Reserve Fund that could instead be used for construction projects. Further, in analyzing the refunding opportunities for the Authority's outstanding bonds, through an advance refunding of a portion of the 2010 Series A-1 bonds in today's market, *the Authority can achieve \$17.97 million of present value savings or 6.711% of refunded par.* Additionally, through a crossover refunding of the callable 2009 Series A bonds, *the Authority could achieve \$4.8 million of present value savings or 6.15% of refunded par.* In our response to **Question 6** we discuss our financing recommendations in more detail.

 \$264,555,000 Toll Highway Revenue Refunding Bonds, 2014 Series C Senior Manager December 2014	 \$333,060,000 Toll Highway Revenue Refunding Bonds, 2016 Series A Senior Manager December 2015
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4. Experience/Qualifications

A. Experience/Qualifications of the Firm.

Identify the location of the firm headquarters and the principal place(s) of business related to public finance; the locations and number of employees of each of the public finance offices and underwriting desks located in the United States; and the number of U.S. Sales professionals, differentiating between retail and institutional. For purposes of the Senior Pool, a Chicago-area public finance office is preferred.

RBCCM's Municipal Markets Group represents one of the largest, most stable commitments to public finance in the nation. Our Municipal Markets Group employs 289 investment banking professionals and 61 sales, trading and underwriting professionals in 27 office locations across the country. *RBCCM has made a considerable commitment to municipal finance in Illinois with 7 investment banking, 10 municipal tax credit equity group professionals and 8 municipal underwriting professionals physically located in Chicago.* *RBCCM has six offices with 172 employees located within the State.* Our municipal finance investment banking services provided to the Tollway will be performed primarily out of our Chicago office by two of our three lead bankers covering the Authority. In addition to municipal investment banking, our Chicago office also contains a municipal trading and underwriting desk, wealth management advisors and other banking services.

RBCCM has the largest and most geographically diverse municipal sales, trading and underwriting operation on Wall Street. Between our New York Municipal Syndicate Desk and seven regional institutional sales, trading and underwriting desks, we provide complete coverage of all institutional investor classes (Tiers I, II and III) and together with our retail brokerage operation (as further described below) employ an extensive, multi-tiered institutional and retail marketing strategy for our municipal clients. Our platform includes Illinois retail offices in Chicago, Buffalo Grove, Oakbrook Terrace, Orland Park, Rockford, and Winnetka. These local professionals serve 8,191 Illinois households and manage \$4.3 billion of assets. Of these households, 771 hold \$446 million of municipal assets. (Figures as of January 2016).

Kevin Hoecker
 Director
 Municipal Finance

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Jim Kelly
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 Municipal Finance

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 Chicago, IL 60661

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 james.kelly@rbccm.com

The table below indicates the number and location of RBCCM's municipal finance employees.

Municipal Finance Employees by Location

Location	Municipal Finance	Sales, Trading, & Underwriting	Location	Municipal Finance	Sales, Trading, & Underwriting	Location	Municipal Finance	Sales, Trading, & Underwriting	Location	Municipal Finance	Sales, Trading, & Underwriting
Albany, NY	3	-	Cincinnati, OH	7	-	Los Angeles, CA	9	-	Phoenix, AZ	9	-
Albuquerque, NM	4	-	Cleveland, OH	27	-	Minneapolis, MN	8	3	St. Petersburg, FL	9	-
Annapolis, MD	-	1	Dallas, TX	11	1	Nashville, TN	-	4	Salt Lake City, UT	1	-
Baltimore, MD	2	-	Denver, CO	19	1	New Albany, OH	9	-	San Antonio, TX	4	-
Boston, MA	3	2	Houston, TX	8	1	New York, NY	60	31	San Francisco, CA	12	2
Charlotte, NC	30	-	Jacksonville, FL	1	-	Parsippany, NJ	1	3	Scranton, PA	1	-
Chicago, IL	17	8	Lancaster, PA	11	-	Philadelphia, PA	12	4	Seattle, WA	1	-

Provide a brief overview of your firm including its business operations, organizational structure and total number of employees.

Royal Bank of Canada ("RBC") is a diversified global financial services company and a leading provider of financial products and services in personal and commercial banking, individual and institutional asset management, trusts, commodities, investment banking, interest rate and currency hedges, as well as a complete array of other financial products. RBC is among the strongest and safest financial institutions in the world with over \$40.5 billion of Tier 1 Capital which ranks as the 5th largest financial institution in North America. RBC serves over 16 million corporate, governmental and individual clients through the efforts of 78,000 employees in 39 countries. RBC Capital Markets is a direct subsidiary of RBC and is headquartered in New York City. RBCCM is a full-service investment bank with over 7,100 professionals and support staff operating from 70 offices in 15 countries and is a wholly owned subsidiary of RBC. RBCCM has built and is fully committed to maintaining a stable and commanding presence in the municipal market. Headquartered in New York City, RBCCM's Municipal Finance Group employs 289 investment banking professionals and 61 sales, trading and underwriting professionals in 27 office locations across the country. **In 2016, RBCCM was the #5 underwriter for negotiated transactions nationally for the 4th straight year**, leading 650 transactions totaling over \$22.67 billion as indicated by the league table to the right. **RBCCM's Municipal Finance Group represents one of the largest, most stable commitments to municipal finance in the nation.**

Lead Manager Negotiated League Table

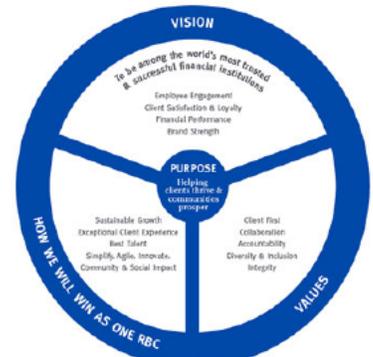
Underwriting Firm	2016 Par Amt. (\$ mil)	2016 Rank	2016 Mkt. Share	2016 # of Issues
Bank of America Merrill Lynch	44,754.2	1	13.8	337
Citi	35,259.5	2	10.8	288
J.P. Morgan	29,806.6	3	9.2	244
Morgan Stanley	25,068.0	4	7.7	228
RBC Capital Markets	22,678.8	5	7.0	650
Wells Fargo	18,936.0	6	5.8	220
Stifel Nicolaus	17,765.5	7	5.5	852
Goldman Sachs	15,536.1	8	4.8	88
Barclays	15,419.5	9	4.7	117
Piper Jaffray	14,203.3	10	4.4	519
Total	\$325,146.4	-	100.0	7,638

Source: Securities Data Corporation Negotiated True Economics to Bookrunner 1/1/2016-12/31/2016.

Indicate if your firm is a minority, female, veterans or disabled – owned business enterprise.

While RBC is not a minority, women, disabled, or veteran business enterprise, our Firm is very committed to diversity and Equal Employment Opportunity initiatives. RBC and RBCCM are governed by (a) our **Equal Employment Opportunity, Affirmative Action and Non-Discrimination Policy Statement**; (b) our **Diversity and Inclusion Policy Statement**, which outlines the Firm's vision & priorities for diversity & inclusion ("D&I"), including: senior leadership commitment and accountability, recruiting, transparency, enhancing our supplier diversity, giving back to the communities we represent and communicating diversity as a business imperative; and (c) our **Respectful Workplace Policy**. Demonstrating our diversity and inclusion imperative, RBC:

- Is the only global bank Chaired by a woman, Kathleen Taylor, who was named to head RBC in January 2014 after serving on the Board of Directors since 2001;



- Hired a *Director of Global Diversity and Inclusion* to oversee administration and compliance with the company's diversity business plan;
- Established D&I as a core shared value through *Our Collective Ambition*, the Firm's guiding business principles;
- Sponsors numerous Employee Resources Groups (ERGs) including the Multicultural Employee Alliance;
- Established partnerships with leading pipeline programs to recruit diverse entry and experienced new hires. Programs include Council of Urban Professionals, Financial Women's Association, SEO and Veterans on Wall Street; and
- Issues an annual comprehensive Diversity Blueprint and Progress Report.

Provide a listing of your transportation clients within the past three years, noting the services provided.

A primary component of RBCCM's growth in Municipal Finance is the dedication and support to continue growing the group's transportation practice. The Authority is a top priority client for our Firm and is part of our long term commitment to the transportation sector – we are committed to providing the Authority with the highest level of service and have all of the necessary resources to do so. We understand that transportation clients need specialized coverage and we have assembled a seasoned team with the appropriate expertise discussed in our response to **Question B**. Since we are proposing to the Senior Manager pool, to the right we provide our list of transportation senior managed clients within the past three years for underwriting, followed by tombstones of direct placements for transportation clients. For each of the clients listed in the table to the right, the services that were provided include the standard services provided by a senior manager on a negotiated bond transaction, including developing the plan of finance, executing a credit rating strategy and conducting investor outreach in order to ultimately market and distribute the bonds.

Senior/Co-Senior Managed Transportation Clients since January 1, 2014

Austin City, Texas (Austin Airport)	Miami-Dade County Expressway Authority
Chicago Transit Authority	Minneapolis-St Paul Metro Airports Commission
City of Philadelphia (Philadelphia Airport)	Montana Department of Transportation
City of Portland, Maine (Portland Airport)	New Jersey Transportation Trust Fund Authority
Clark County, Nevada (Las Vegas McCarran Airport)	New Jersey Turnpike Authority
Connecticut (Transportation Program)	New Mexico Department of Transportation
Delaware River Joint Bridge Commission	North Texas Tollway Authority
Denver City and County, Colorado (Denver Airport)	NYS Dorm Authority (Transportation Revenues)
Greater Orlando Aviation Authority	Ohio (GARVEE Program)
Harris County Tollroad Authority	Oklahoma Turnpike Authority
Illinois State Toll Highway Authority	Pennsylvania Turnpike Commission
Indianapolis Airport	Port Authority of NYNJ
Los Angeles Co Metro Transit Authority	Puerto Rico Infrastructure Finance Authority
Los Angeles Department of Airports	Sacramento County, CA (Sacramento Airport)
Maine Turnpike Authority	San Francisco International Airport
Metro Atlanta Rapid Transit Authority	State of Alaska (Alaska Airport)
Metropolitan Transport Authority	Texas Transportation Commission
Metropolitan Washington Airports Authority	Tulsa International Airport
Miami Dade County, FL (Miami Airport)	

\$191,800,000	\$150,000,000	\$150,000,000	\$120,000,000	\$75,000,000	\$200,000,000	\$35,735,000	\$200,000,000	\$87,500,000	\$350,000,000
Illinois State Toll Highway Authority	Miami-Dade County, Florida	Los Angeles Metro Transportation Authority	Central Florida Expressway Authority	City of Philadelphia (Airport Revenue Bonds)	Denver International Airport	Broward County Port Everglades	City and County of San Francisco (San Francisco International Airport)	Illinois State Toll Highway Authority	Metropolitan Transportation Authority
Direct Purchase February 2017	Flexible Drawdown Bond June 2016	Flexible Drawdown Bond December 2015	Direct Purchase July 2015	LOC Provider November 2014	Direct Purchase FRN August 2014	LOC Provider July 2014	LOC Provider June 2014	LOC Provider March 2014	Revolver January 2014

Provide a listing of up to five additional clients for which you have served as senior managing underwriter, co-senior managing underwriter, or co-managing underwriter that you deem particularly representative of the services requested by this RFP for the pool for which you have applied.

RBCCM strives to continually provide value-added services to our clients to develop long-standing relationships rather than just one-off or transactional relationships. RBCCM's Midwest Group has senior managed transactions for some of the largest, most complex, and challenging credits in the region including the *City of Chicago, Chicago Transit Authority, University of Illinois, American Municipal Power*, among others. In addition to the above listed clients, RBCCM has senior managed two transactions for the Illinois Tollway. Beyond these transactions, below we have provided case studies that demonstrate RBCCM's long-standing commitments to our clients.

Case Study: \$111,715,000 City of Chicago, Sales Tax Revenue Bonds, Reoffering of Series 2002



Lead Banker: Kevin Hoecker

Role: Senior Managing Underwriter

Relevance to the Authority: Demonstration of commitment of capital to secure successful sale

On June 3, 2015, RBCCM served as senior managing underwriter on a \$111.715 million tax-exempt fixed rate bond transaction for the City of Chicago (the "City"). An aggressive institutional investor marketing effort overcame negative issuer market perception, leading to strong pricing performance. The bonds had serial maturities in 2016-2026 and achieved spreads far inside a recent GO issuance by the City.

RBCCM engaged in an extensive pre-marketing campaign for the bonds despite a compressed timeline. Our focus in the marketing effort focused on the disparity in ratings, the Chicago economy, the City's pension issues and the lack of a lock box mechanism on the credit. Our marketing efforts included a formal electronic investor presentation and 14 one-on-one investor calls. We then took an aggressive approach to marketing the bonds given that the City priced nearly \$800 million of General Obligation bonds the week prior. As a result, we realized strong demand from institutional investors, resulting in a successful sale with subscription of over 4.0x. Before re-pricing, RBCCM had a wide variety of orders, including orders from 29 investors who did not previously hold the City's sales tax bonds.

Case Study: \$344,870,000 Ohio Water Development Authority, Water Pollution Control Loan Fund Revenue Bonds, Series 2015 A & B (Multiple Transactions)



Lead Banker: Jim Kelly

Role: Senior Managing Underwriter

Relevance to the Authority: Ability to expand market for large, frequent issuer through coordinated

marketing plan

On December 2, 2015, RBC Capital Markets served as Senior Manager on \$240,000,000 Ohio Water Development Authority (the "Authority" or "OWDA") Water Pollution Control Loan Fund Revenue Bonds Series 2015A. This State Revolving Fund program is rated Aaa/AAA from Moody's and S&P respectively.

RBCCM engaged in an extensive pre-marketing campaign for the bonds. Our marketing efforts included preparing the client for an investor presentation and setting up five one-on-one investor calls. After the order period, the Authority increased the size of the financing to capture the historically low rates. Using the rates from the financing to analyze the Authority's outstanding debt, RBCCM proposed a refunding that met the Authority's criteria, resulting in a senior manager mandate for the Authority's Series 2015B WPCLF Revenue Refunding Bonds transaction where we served as Senior Manager on \$104.870 million tax-exempt fixed rate refunding bonds. RBCCM re-engaged investors through an extensive pre-marketing campaign for the bonds. Our marketing efforts included setting up one-on-one investor calls and canvassing investors that were previously interested in the Authority's Series 2015A new money bonds. Using an Open Market Securities escrow for the refunded bonds, the Authority achieved net present value savings of \$12.63 million or 11.04% of refunded bonds.

Case Study: \$65,255,000 University of Illinois, Certificates of Participation, Series 2014 A, B, & C



Lead Banker: Kevin Hoecker

Role: Senior Managing Underwriter

Relevance to the Authority: Ability to reduce "Illinois penalty" through extensive investor education

RBCCM served as book-running senior manager for the University of Illinois in the refunding of several series of Certificates of Participation. The University had identified a specific project which, due to private use, was no longer eligible for tax exemption; RBCCM worked with the University to identify the most economically efficient manner to apply available cash to the project, minimizing the size of the restructuring and overall cost of the financing.

In depth investor research and a detailed investor presentation allowed us to identify current investors in the University's outstanding Certificates of Participation, prominent State of Illinois investors, and other purchasers of taxable higher education bonds. The syndicate's pre-pricing scale was assertive and specifically targeted investors for participation based on their respective portfolio durations and predetermined interest. Our success in pricing the transaction was evidenced initial oversubscription of four times for the taxable offering, which enabled us to aggressively lower yields. Specific to the taxable underwriting, we distributed the University's Certificates to a broad range of investors; many were new purchasers of the University's credit, placing bonds with 13 accounts, including Wells Capital Management, Advisors Asset Management and Breckenridge Capital Advisors. The refunding generated \$11.16 million in NPV savings (9.966%).

Case Study: \$646,715,000 State of Wisconsin, General Obligation Refunding Bonds, 2014 Series 3 and 2016 Series 2 (Multiple Transactions)



Lead Banker: Kevin Hoecker

Role: Senior Managing Underwriter

Relevance to the Authority: Reflects commitment to provide ongoing services to municipal client

Since 2014, RBCCM has served as book-running senior manager for the State of Wisconsin on two separate transactions totaling over \$646 million. On August 5, 2014, RBCCM had our first opportunity to senior manage a bond issue for the State of Wisconsin. The Firm was a senior manager for the \$275,865,000 General Obligation Refunding Bonds of 2014, Series 3. RBCCM introduced the State's credit to 35 new investors, of which 13 purchased the State's GO bonds for the first time. With the exception of two maturities, the bonds achieved strong interest throughout the curve. The transaction garnered \$517 million priority orders and RBCCM underwrote the remaining unsold balance of \$53 million. During the transaction, RBCCM created a complex refunding model to monitor the viability of each refunding candidate against the State's refunding criteria, which are discussed in our answer to Question 6 below. In the transaction, RBCCM marketed multiple couponing levels for the non-callable maturities to solicit interest from a broader range of investor types. Ultimately RBCCM *trifurcated* each of the first three maturities and \$19.0 million of bonds were sold with 2%, 3% and 4% coupons.

As a result of our strong performance on the Series 2014 bonds, RBCCM received a senior mandate for the General Obligation Refunding Bonds of 2016, Series 2 transaction. On July 28, 2016, RBCCM served as senior manager for the \$370,850,000 transaction. RBCCM successfully orchestrated a combined one-day retail and institutional order period on July 28th. Based on extensive pre-marketing, RBCCM was able to gain interest from a variety of institutional and retail investors with coupons ranging from 1.50-5.00%. During the order period, more than \$847 million of total orders were placed which included \$18.9 million of retail orders and over \$666 million of total priority orders from 46 different institutions. Based on significant retail and institutional interest, RBCCM created bifurcated and trifurcated maturities. The strong pricing results for the State generated \$32.2 million of PV savings, or 8.26% of the refunded principal amount.

Case Study: \$218,140,000 State of Ohio Major New State Infrastructure Project Revenue Bonds



Lead Banker: Michael Lexton

Role: Senior Managing Underwriter

Relevance to the Authority: RBCCM experience with underwriting large transportation related bond transactions

In December 2014, RBCCM served as senior manager on the State of Ohio's **\$218 million Major New State Infrastructure Project Revenue Bonds, Series 2014-1** to fund Ohio Department of Transportation Highway projects. RBCCM worked closely with the Treasurer's Office leading up to bond pricing to market the strength of the Ohio GARVEE bond program, in the face of several recent downgrades in the sector before of the repeated short-term reauthorizations of the Federal Highway program. We also monitored market conditions for refunding opportunities. This continual monitoring, coupled with an analytical assessment of the refunding criteria to vet candidates, led to the inclusion of \$62,268,000 of refunding bonds, saving \$3.26 million net present value or 5.22% of refunded par. A comprehensive investor presentation was prepared to highlight the program's robust debt service coverage, the strong additional bonds test and the pledged State support to make up for deficiencies in federal funding.

Please describe your firm's underwriting experience for tax-exempt obligations of issues of \$100 million or more of transportation revenue bonds from January 1, 2014 to present in tabular form. Include, at a minimum, the issuer, sale date, size of issue, security (e.g. toll road revenue, sales tax revenue), interest rate type (fixed/variable), issuer credit ratings at the time of issue, your firm's role and your firm's percentage of takedown compensation. Limit this list to the thirty (30) transactions you deem most representative of your abilities to provide the services requested by this RFP for the pool for which you have applied. To the extent your list, when limited to transportation revenue bonds, is less than thirty (30) transactions, you may list other transactions you deem representative of your firm's abilities to provide the services requested for the pool for which you have applied. *List may be included in Tab 9.*

RBCCM is a national leader in transportation finance, and **in 2015 ranked 5th in senior managed negotiated transportation bond volume, and 2nd in number of transportation transactions, having senior managed 32 financing totaling \$3.8 billion.** These best-in-class credentials provide us the necessary experience to assist the Authority once again in the development of an effective rating agency package and a bond structure and marketing plan that delivers the broadest distribution providing the lowest cost of funds for the Authority. As a result of our enhanced emphasis on transportation banking, including the hiring of seasoned transportation professionals over the past several years, RBCCM has become a leading underwriter in the transportation sector and we have grown our transportation market share by over 13 times since 2008. **Since January 1, 2014, RBCCM has senior managed 44 negotiated transportation transactions for a total of \$5.4 billion of par.** Our team has been on the cutting edge of structuring and marketing toll revenue bonds, including developing innovative financing structures, sophisticated cash flow financial models, incorporating TIFIA loans and other grants and working with the rating agencies and investors to develop effective rating and marketing strategies. Please see **Appendix C** for a list of our 30 senior managed negotiated transactions for transportation issuers over \$100 million executed since January 1, 2014 sorted by size. Our team has been on the cutting edge of structuring and marketing toll revenue bonds, including developing innovative financing structures, sophisticated cash flow financial models, incorporating TIFIA loans and other grants and working with the rating agencies and investors to develop effective rating and marketing strategies. The following case study is an example of a recent senior managed Toll Road Revenue Bond transaction RBCCM has executed.

Pennsylvania Turnpike Commission



Lead Underwriter: Jaime Durando

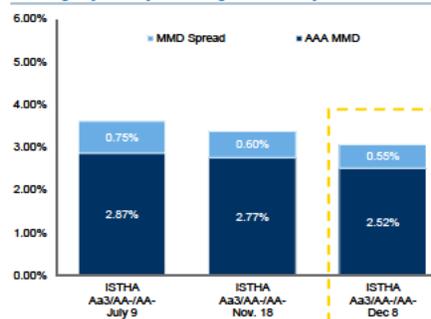
Role: Senior Managing Underwriter

Relevance to the Authority: RBCCM experience with underwriting large toll road transactions

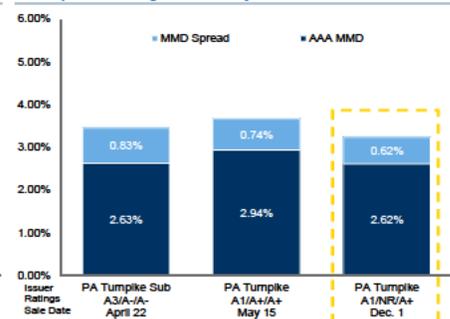
The Pennsylvania Turnpike Commission ("PTC" or the "Commission") is one of the most frequent toll road issuers in the country and the RBCCM team is one of its top senior manager underwriters. Since 2011 we have senior managed nine bond issues totaling \$1.31 billion of par amount. Most relevant to the Tollway was PTC's recent transaction. On December 1, 2015, RBCCM served as Senior Manager on \$304 million Turnpike Revenue Bonds Series B of 2015 bonds. The proceeds of this issue will be used to finance new construction and repair.

The transaction entered the market during a time of significant volatility in the tax-exempt, Treasury, and equity markets owing to global economic and geopolitical concerns. Due to the heavy transaction calendar, RBCCM recommended the transaction enter the market early in the week to provide the highest amount of investor visibility. With strong market momentum, recent positive fund flows, and knowledge investors had money to put to work, RBCCM took an aggressive approach by pre-marketing at levels tighter than the Turnpike's recent senior issuances.

IL Toll Highway Authority 2015 Pricings 2033 Maturity



PA Turnpike 2015 Pricings 2033 Maturity





Due to RBCCM's extensive marketing effort, the order period attracted demand from over 90 investors, resulting in a 4.87x subscription level. The transaction resulted in the tightest final spreads compared to any of the Commission's current outstanding uninsured senior lien bonds.

B. Experience/Qualifications of Personnel.

Identify the firm representative who would be directly responsible for overseeing this engagement.

RBCCM provides the Authority with a core investment banking team located in Illinois with unparalleled knowledge of the Illinois Tollway. **Jim Kelly, Director**, and **Kevin Hoecker, Director**, are both located in Chicago and will serve as the lead contacts for the Tollway. The both have served the Authority in multiple capacities over the past decade. Jim and Kevin have both led senior managed transactions for the Tollway and Kevin has served as the Tollway's Financial Advisor from 2006 – 2011. **Michael Lexton, Managing Director and Head of the Transportation Group in New York**, will work hand-in-hand with Jim and Kevin bringing over 30 years of transportation experience. Each member of our senior team has full knowledge of the Authority, its opportunities, challenges and restrictions.

Provide a staffing plan listing the individuals who would be assigned to the Tollway. In summary form, list their name, title, engagement role, office location, time with the firm, and summarize their qualifications and experience. Key personnel's relevant experience at prior firms may be included. Information relating to personnel responsible for marketing the Bonds may be provided on an aggregate rather than an individual basis. The respondent may (but is not required to) divide such aggregate information into sub-categories (e.g. institutional vs retail, tax-exempt vs. taxable, geographically, etc.). Information relating to marketing personnel should be accompanied by narrative describing the plan for utilizing such marketing personnel and how the respondent's marketing resources provide value to the Tollway in the context of the pool for which the respondent is applying. *Resumes can be included in Tab 9.*

RBCCM's team leadership of Jim, Kevin and Michael have a wealth of experience with the Tollway and similar entities nationally. Just as they have shown on the Tollway's 2016 Series A and 2014 Series D transactions, this team will work closely with our Sales, Trading, and Underwriting Team in all aspects of the financing, including the development of a Electronic Investor Presentation, internal salesforce briefings, and in coordinating one-on-one investor meetings in advance of marketing and pricing a bond transaction. **RBC Capital Markets enjoys the largest sales and trading operation on the Street to broaden the distribution of the Authority's bonds.** **Jaime Durando, Managing Director and Head of Long Term Underwriting**, will be the lead underwriter for any of the Authority's transactions and was the lead underwriter for the Authority's 2016 Series A Refunding Revenue bond financing. **Glenn McGowan, Director and Lead Taxable Underwriter**, will lead all taxable transactions for the Authority and will serve as backup to Jaime Durando on every Illinois Tollway financing. **Karl Hummel, Managing Director and Head of Institutional Sales**, will lead the marketing effort with institutional investors for any of the Authority's financings.

RBCCM Illinois State Toll Highway Authority Team

Name	Title	Role	Contact	Location	Years of Experience	Years at RBCCM
Core Investment Banking Team						
Jim Kelly	Director	Co-Lead Banker	P. (312) 559-3880 E. james.kelly@rbccm.com	Chicago	21	3
<i>Jim Kelly has extensive experience working with Illinois issuers, particularly with the the Illinois Toll Highway Authority, the State of Illinois and the Metropolitan Pier and Exposition Authority. His experience with the Authority is extensive, having served as senior or co-senior manager on 7 financings totaling over \$2.4 billion. This experience includes new money, refunding financings, providing liquidity facilities and the recently-closed Direct Purchase of the 2008 Series A1-b Bonds for the Illinois State Toll Highway Authority.</i>						
Kevin Hoecker	Director	Co-Lead Banker	P. (312) 559-3876 E. kevin.hoecker@rbccm.com	Chicago	17	5
<i>Kevin led RBC's effort in underwriting the Illinois Tollway's \$333 million 2016A Refunding issuance where the Tollway was able to secure its lowest spreads to MMD to date for the Move Illinois program. He was also the FA to the Tollway from 2006 - 2011 and works closely with the State of Illinois, Chicago Transit Authority and the University of Illinois, as clients.</i>						
Michael Lexton	Managing Director	Transportation Lead Banker	P. (212) 905-5907 E. michael.lexton@rbccm.com	New York	37	5
<i>Michael is head of RBCCM's U.S. Transportation Group. He has led significant financings for the Orlando-Orange County Expressway Authority, the Orange County Transportation Authority, the Pennsylvania Turnpike Commission and the Metropolitan Bay Transportation Authority in Boston.</i>						
Manuella de Barros	Vice President	Transaction Execution	P. (212) 428-6905 E. manuella.debarros@rbccm.com	New York	12	3
Justin Faurer	Associate	Transaction Execution	P. (312) 559-3877 E. justin.faurer@rbccm.com	Chicago	6	2
Annette Palen	Analyst	Transaction Execution	P. (212) 618-3226 E. annette.palen@rbccm.com	New York	1	1
Sales, Trading, & Underwriting Team						
Jaime Durando	Managing Director and Head of Municipal Underwriting	Lead Underwriter	P. (212) 618-55628 E. jamie.durando@rbccm.com	New York	34	10
<i>As Head of Underwriting, Jaime has worked on every major Illinois issue in the last 10 years that RBCCM has senior managed. Recent transaction experience includes: Illinois State Toll Highway Authority, City of Chicago, Chicago Transit Authority, Miami-Dade Expressway, Los Angeles World Airports, Miami-Dade County (FL), and the State of Connecticut, among others.</i>						
Glenn McGowan	Director and Taxable Underwriter	Junior Underwriter and Long-Term Underwriter	P. (212) 519-8415 E. glenn.mcgowan@rbccm.com	New York	10	4
Karl Hummel	Managing Director and Head of Institutional Sales		P. (212) 618-3505 E. karl.hummel@rbccm.com	New York	24	8



The Offeror shall provide references for three transactions within the past twelve months for which: (a) the Offeror served as bond underwriter; and (b) the primary contact person designated in the Transmittal Letter served as the primary contact for the Offeror. If the primary contact designated in the Transmittal Letter has not worked on three such transactions, then other transactions for which the Offeror served as bond underwriter may be included. The Tollway may contact one or more of these references for each Offeror and reserves the right to contact additional references, and information from such references may be factored into scoring. *Submit references per the form included in Section 3, Part J. The references may be included in Tab 9 without counting against the 17-page limit for response to Tabs 3-6.*

Our clients can provide the most compelling testimony of our ability to create value through the depth of our resources, the focused specialization of our professionals, our approach to client service and our ability to deliver the most efficient, custom-tailored financing solutions. While the Tollway itself would serve as a good reference to our abilities as a senior managing underwriter, in **Appendix B** we provide three municipal clients with whom members of our team have worked with in the past twelve months and a description of the services RBCCM provided. We encourage you to contact these individuals and believe that their responses will further augment our case to serve as senior managing underwriter for the Authority.

[\\$95,820,000 Miami-Dade County Expressway Authority, Toll System Refunding Revenue Bonds, Series 2016](#)



On August 30, 2016, RBC Capital Markets ("RBCCM") served as Book-Running Senior Managing Underwriter on a \$95,820,000 tax-exempt issue for the Miami-Dade County Expressway Authority ("MDX" or the "Authority"). The proceeds of these bonds were used to refund \$119,660,000 of MDX's Toll

System Revenue Bonds, Series 2006. Michael Lexton served as one of RBCCM's lead bankers on the issue.

Despite the weakening in the Treasury market, municipal market conditions remained stable prior to pricing due to the positive direction of a number of fundamental variables. Supply for the week was 20% below the year-to-date averages and down by more than 30% of the previous week. Investor feedback remained positive leading up to pricing as investors were focused on the transaction and RBCCM provided effective premarketing, which included an investor roadshow (which was viewed by 60 participants, including 26 investors) and other internal pre-marketing materials.

Due to favorable conditions and RBCCM's extensive marketing effort, the order period attracted demand from 42 separate investors resulting in significant oversubscription. The transaction resulted in a True Interest Cost of 2.96% and the tightest final spreads compared to any of the Authority's prior uninsured transactions. RBCCM worked with MDX and its FA to devise a refunding structure that shortened the final maturity of the debt and decreased debt service, while taking advantage of a debt capacity "trough" between FY 2028-2034. The refunding ultimately saved \$29.98 million net present value or 25.05% of the refunded principal, substantially more than MDX's refunding targets.

[\\$324,035,000 Hamilton County, Ohio, Sales Tax Refunding Bonds, Series 2016A](#)



On August 3, 2016, RBCCM served as senior bookrunning manager on Hamilton County's (the "County") \$324,035,000 Sales Tax Revenue Refunding Bonds, Series 2016A (A1/AA-/A+ Underlying). The Bonds were issued as tax-exempt fixed rate bonds. The Series 2016A bonds were issued to refund approximately 80% the County's Sales Tax Bonds which funded two professional sports stadia (Great American Ballpark home to the Cincinnati Reds and Paul Brown Stadium home to the Cincinnati Bengals). Jim Kelly served as one of RBCCM's lead bankers on the issue.

Due to this refunding issue being over half of all outstanding County sales tax bonds, this refunding gave the County the opportunity to revise its Trust Indenture to strengthen the credit while releasing funds to the County. Increasing the Debt Service Reserve Fund (funded with a surety) and the Additional Bonds Test allowed the County to release almost \$8 million held in a stabilization account. This served to strengthen the County's credit profile while releasing \$14.45 million in restricted DSRFs to the County to fund future property tax rollbacks. ***The credit was subsequently upgraded by Moody's to A1, while S&P assigned an initial AA- rating and Fitch affirmed its A+ rating.*** The reports generally cited strong growth in sales tax revenue, improved MADS coverage ratios and indenture changes as the reasons for the upgrade and strong initial rating from S&P.

RBCCM engaged in strong pre-marketing efforts on behalf of the County, including preparing an investor road show and fielding calls from investors seeking additional information. Early feedback from our pre-marketing efforts was positive, with 8 of the 10 largest holders of existing bonds placed significant orders for the bonds. In addition, the marketing and the improved credit significantly broadened the investor base for the credit with over 30 new investors participating. After the initial order period the County had an order book of almost \$2 billion (over 6 times oversubscribed). The overall result was a very successful sale for the County with an all-in TIC of 2.46%, 19.36% NPV savings and over \$87.53 million in cash flow savings.

[\\$250,375,000 State Revolving Fund Program Bonds, Series 2016 D & E \(Green Bonds\)](#)

[Indiana Finance Authority](#)



On September 22, 2016, RBCCM served as Senior Bookrunning Manager for Indiana Finance Authority's Series 2016 D & E State Revolving Fund Program Bonds. The transaction included both new money and refunding bonds. Kevin Hoecker served as one of RBCCM's lead bankers on the issue.

This was the first time IFA had issued bonds with a 30-year final maturity. The extended term financing accommodated a

large borrower financing required to satisfy the requirements of an EPA consent decree. Given that the issue represented a first time issuance of 30 year bonds, RBCCM utilized a comprehensive marketing strategy that included an electronic investor presentation, sales force teach-ins, one-on-one investor calls and a one-on-one meeting with the Authority's largest investor who is a major buyer of SRF bonds nationally. RBCCM marketing professionals focused their marketing efforts on facilitating a greater investor appreciation for the excellent security provided by strong program cash flows, reserves, default tolerances and the diversity of the borrower pool. We set aggressive spread levels and achieved final pricing spreads ranging from 8 to 19 bps over MMD, despite a weakening market as evidenced by MMD increasing 3 to 4 bps on the day of pricing. In order to support our aggressive spread levels in a weakening market, RBCCM took down over \$118 million in bonds or nearly 47% of the total par amount. IFA achieved \$10.75 million in PV savings or 11.38% of refunded par.

5. Financial Capacity

Provide your firm's total capital and uncommitted excess net capital as of each of the most recent quarter ends available and the most recent two fiscal year ends available. As of each of those dates, specify any limitations that existed on utilizing such capital for public finance.

The Royal Bank of Canada ("RBC"), the parent company of RBCCM, is among the largest and most stable financial institutions in the world, with assets of more than \$1 trillion and a market capitalization of over \$138 billion. The Royal Bank of Canada has distinguished itself by maintaining the highest financial strength and stability among our peers with ratings of Aa3/AA-/AA even through the uncertainty and upheaval in the financial markets during the last decade. RBC and RBCCM's reported capital position for each of the last two fiscal years is detailed in the table to the right. RBCCM's fiscal year ends October 31 and as such, FY 2016 is the most recent quarterly information available. ***RBCCM's maximum municipal underwriting capacity (based on regulations requiring excess net capital of at least 7% of such amount) is \$25.7 billion, which is far in excess of the requirement for any senior managed bond transaction for the Illinois Tollway.*** RBCCM does not require any sources of outside capital and the firm has never had any internal limitations on utilizing capital for public finance.

Regulatory Capital (\$000s)

RBC Capital Markets	FY2015	FY2016
Total Firm (Regulatory) Capital	6,063,682	6,483,478
Total Equity Capital	4,663,682	5,083,478
Excess Net Capital	1,312,631	1,797,338

RBC Financial Group	FY2015	FY2016
Total Firm (Regulatory) Capital	46,563,378	48,549,132
Total Equity Capital	51,331,781	53,528,875
Tier 1 Capital	40,572,369	41,313,480

One of the most valuable commitments an underwriter can make to an issuer is underwriting unsold balances during turbulent market conditions, and RBCCM regularly makes some of the largest capital commitments in the municipal market. We understand that committing our capital saves the issuer the penalty of pricing at a higher interest rate market-clearing level. ***Given RBC and RBCCM's strong financial position and low-cost internal funding, the firm stands committed to deploy our capital to support senior managed clients.*** Excess net capital is monitored and maintained for the various RBCCM business lines of which secondary and new issue municipal activity is a subset without a distinction in capital allocation. Since 2013, we have committed nearly \$4.4 billion to our municipal clients by underwriting unsold balances. The table to the right provides specific examples of recent financings for which RBCCM underwrote a significant portion of unsold balances on behalf of our clients.

Select RBCCM Senior Managed Capital Commitments

Sale Date	Issuer	Par Amount	Capital Commitment	% of Issue
01/18/17	City and County of Denver School District #1, CO	\$466,675,000	\$105,000,000	22%
10/18/16	Alaska Municipal Bond Bank	109,835,000	32,000,000	29%
09/22/16	Indiana Finance Authority	250,375,000	118,530,000	47%
09/19/16	American Municipal Power Inc.	209,530,000	32,440,000	15%
09/14/16	Port of Los Angeles	201,560,000	25,195,000	13%
09/13/16	Rhode Island Hsg	193,105,000	25,235,000	13%
06/28/16	Johnson Co (Cleburne) ISD	108,975,000	30,960,000	28%
06/24/16	Bexar County, TX	350,155,000	24,575,000	7%
05/24/16	Miami-Dade County, FL	340,140,000	136,750,000	40%
05/24/16	Massachusetts Educational Financing Auth.	340,000,000	80,000,000	24%
05/04/16	NYS Dorm Authority	216,665,000	22,000,000	10%

Most recently, RBCCM has demonstrated the firm's financial capacity and willingness to support capital by closing on the Illinois Tollway's 2008 Series A1-b Direct Purchase. By providing an alternate product for the Authority, RBCCM has allowed the Tollway to lower its overall funding cost for its outstanding variable rate debt, in particular the insured 2008 Series A bonds. RBCCM structured its product to allow the Authority to retain the bond insurance.

6. Technical Approach

A. Structuring.

Identify and describe recommendations and strategies your firm would propose to best position the Tollway to achieve a favorable cost of borrowing during the years 2017-2021 on its estimated \$1.6 billion of projected new money bond issuance (per the schedule included in section D.3 of this RFP). Describe any challenges you foresee with respect to your recommendations.

RBCCM Recommendations & Strategies RBCCM has developed a series of recommendations for the Authority's consideration to continue to deliver low cost financings for the *Move Illinois Program*. For example, the Tollway should consider issuing more of its debt with

near term maturities to lower its overall debt service costs and accelerate repayment of its debt. Since the launch of *Move Illinois Program*, the Authority has issued 66% of the maturities of its new money bonds in the final 3 maturities. **Our analysis shows that the Authority can maintain strong debt service coverage, funding of its intended pay-as-you-go capital and amortize its debt shorter, with less than half of the bonds maturing in the final 3 years of each issue while saving the Authority approximately \$150 million in debt service costs for the proposed \$1.6 billion in new money compared to the schedule in the RFP. This is accomplished while maintaining strong debt service coverage and cash flow for ongoing pay-go funding of construction projects.** The challenges the Authority will face are largely outside of its control with interest rates expected to rise, the prospect of tax reform impacting investor buying decision and possibly the value of the municipal tax exemption diminishing with lower tax rates or limitations on exclusion of interest on municipal bonds.

The Tollway continues to finance the 15-year \$12.1 billion *Move Illinois Program* to rebuild and construct a state-of-the-art highway system to improve regional mobility, relieve congestion, reduce pollution, create jobs, and stimulate the economy.

The Tollway has thus far financed the *Move Illinois Program* with a Weighted Average All-In TIC of 4.123%. As the Authority contemplates financing the Program in what will likely be a rising interest rate environment, it should be noted that debt structuring will become critical to maintaining an affordable debt structure. To illustrate the trend in rates that has benefitted the Tollway over the past 4 years, since the launch of the Program, the Authority’s interest rate on its longest maturity has fallen by approximately 100 basis points. As it looks to the future, in comparison, 25-year “AAA” MMD has risen approximately 65 basis points since the Authority’s last financing, with forecasts of continued increases on the horizon.

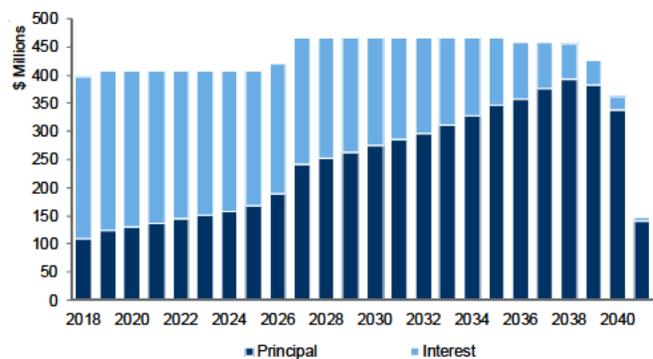
The changing dynamics of the interest rate markets will be one of the biggest challenges the Authority will face over the next 5 years, but the Authority is well positioned given its solid financial standing.

Move Illinois Capital Cost

Series	Par Amount	All-In TIC
2013 Series A	\$500,000,000	4.109%
2014 Series B	500,000,000	4.300%
2014 Series C	400,000,000	4.043%
2015 Series A	400,000,000	4.304%
2015 Series B	400,000,000	4.165%
2016 Series B	300,000,000	3.656%
Total	\$2,500,000,000	4.123%

The Tollway’s existing debt service is level through 2026 when the Elgin-O’Hare Western Access project is fully operational. At that point, debt service increases by approximately \$58 million over the course of two years before leveling off at approximately \$465 million through 2035. According to the most recent Tollway official statement, debt service coverage is projected to range from 2.7x to 3.2x in those years. This coverage provides significant capacity for the Tollway to maintain its ability to use cash flow to augment bond financing for the *Move Illinois Program* projects. It also provides the Authority with the opportunity to be strategic in its amortization approaches if interest rates rise dramatically in the next few years.

Outstanding Debt Profile



Evolving Market Conditions and Challenges

Market conditions are dynamic and will continue to evolve through 2022. As the financial markets continue to digest the new Trump administration and the many uncertainties associated with it, interest rates have been volatile in recent months. Although there was a large increase in interest rates following the November election, there has been some reversal at the end of 2016 and the beginning of 2017. The 30-year U.S. Treasury closed at 3.05% as of the January 31st market close – a net increase of 42 basis points since November 8th. Similarly, 30-year MMD closed at 3.08% on January 31st – a net increase of 54 basis points since November 8th. Credit spreads have also widened on the long-end of the yield curve in order to attract buyers given the relative flatness of the curve on the long end in this “new” market environment. In addition, **the prospect of tax reform through lower corporate tax rates may make municipal bonds relatively less attractive to corporations, particularly property and casualty insurers who have been major buyers of municipal bonds over the past several years.**

2017 Market Expectations & Interest Rate Forecast

2016 was the busiest on record for municipal bond sales, driven by refundings and a rush to borrow as rates touched more than half-century lows. Municipal supply totaled a record \$444.8 billion in 2016, up 12% from 2015. RBC is forecasting 2017 municipal supply in a range of \$375 billion to \$400 billion. As

RBCCM US Treasury Rate Forecast (%)

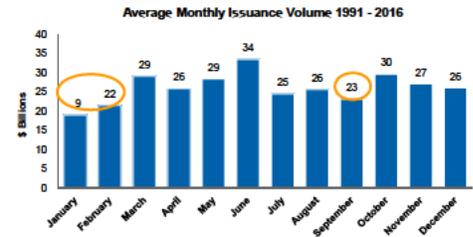
	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
Fed Funds	0.75	1.00	1.00	1.25	1.50	1.75	2.00	2.25
Two-Year	0.55	0.90	0.90	1.10	1.40	1.65	1.90	2.10
Five-Year	1.90	2.10	2.25	2.45	2.65	2.90	3.00	3.15
10-Year	2.40	2.65	2.80	3.00	3.15	3.40	3.50	3.60
30-Year	3.00	3.20	3.35	3.50	3.60	3.75	3.80	3.85

Source: RBC

expected, the FOMC raised the target range for the fed funds rate to 0.50-0.75% on December 14, 2016. The Fed continues to see a

gradual pace of tightening in 2017 even as the unemployment rate is expected to fall further below longer run levels. Our forecast assumes the current tightening cycle will remain slow by historical standards with another two rate hikes expected in 2017. Unless Congress and the Trump administration can come to an agreement on effective fiscal stimulus relatively quickly, we don't see the Fed deviating from a gradual path this year.

Optimal Market Timing. RBCCM has conducted an analysis of the best time to enter the market over the past 25 years. Our analysis examines the 20-year AAA MMD on a monthly and annual basis to determine annual and monthly market movements. The basis point deviation for each month we consider is relative to the year it is calculated. As a result, the analysis is impacted by whether rates went up, down or were flat during a specific year. The objective is to analyze a subset of the years that were more neutral from the starting MMD rate to the ending MMD rate of that year. Based on the deviation of monthly versus yearly yield averages, our analysis has found that winter and fall months tend to be good times to come to market. Based on monthly issuance volume, we found that January, February and September are the three lowest volume issuance bonds providing an opportunity for the Tollway to highlight its transaction with less competing supply.



Structuring Alternatives. As the Tollway considers future issuance, given the steepness of the municipal yield curve on the front end versus the recent past, it is prudent to weigh the value of continuing to place the new money debt service on the relatively flat long-end or to utilize capacity over the next several years to maintain a low cost of debt. Our analysis assumes interest rates as of January 24, 2017 with assumed interest rate increases of 50 bps in yield each year after 2017 up to a maximum yield of 4.50% and financing costs of 0.60%.

Base Case, per RFP. RBCCM has analyzed the structuring alternatives for the 2017-2021 new money issuances. In the adjacent table we have provided a summary of Sources and Uses and Bond Statistics for the 2017-2021 Series new money issues structured under two alternatives: 1.) the level debt service structure amortizing from years 15-25 as included in the RFP ("Total Level" in the table); and 2.) a wrapped structure to level the debt profile ("Total Accelerated" in the table) and maintain approximately 2.50x debt service coverage.

New Money Financing Analysis

Bond Summary Statistics

	Total Accelerated	Total Level
Par Amount	\$1,600,000,000	\$1,600,000,000
Construction Fund Deposit	\$1,608,185,000	\$1,508,760,500
Debt Reserve Fund Deposit	\$80,000,000	\$183,826,450
All-In TIC	4.439%	4.540%
Average Life (Years)	20.334	22.194
Aggregate Debt Service	\$3,055,144,833	\$3,205,512,417

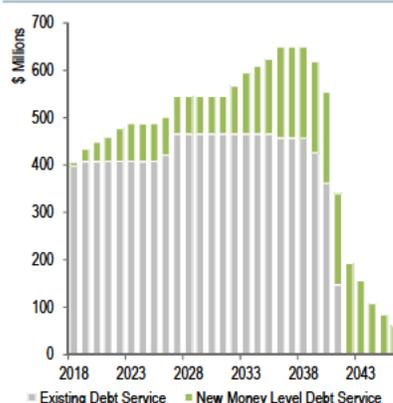
Advantages to the Accelerating Principal Approach

- Reduces the amount of principal outstanding in 10 years by \$365 million
- Lowers the cost of financing the \$1.6 billion in bonds by \$150 million
- Provides an additional \$100 million in project deposits
- Lowers the Debt Service Reserve Requirement, through a significantly lower maximum annual debt service, by \$100 million, thus lowering the negative carry associated with the DSRF
- Creates additional financing capacity into the future

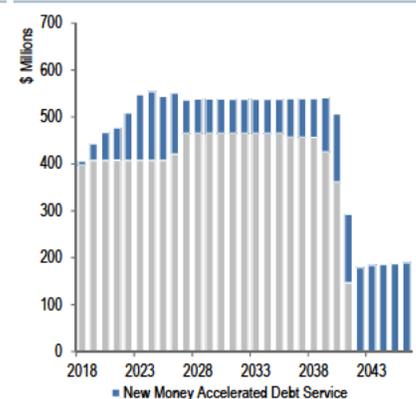
Disadvantages to the Accelerating Principal Approach

- Lowers the amount of excess cash for project funding over the next 10 years
- Reduces debt service coverage to approximately 2.5x, thus potentially putting pressure on achieving revenue targets to maintain management targets for coverage

Level Debt Service Structure



Accelerated Debt Service Structure



As a third approach, when the Authority considers each issuance, it could choose to wrap the amortization of the new money bonds around the point where the existing debt service decreases in 2039. The challenge with this approach is that it will absorb the capacity that the Authority presently has on the long-end of its debt profile and increases the interest only period for each issuance. This will also increase the average life and All-In TIC of subsequent issues.

Implementation of the Accelerated Solution. Given the rising interest rate environment with a steep yield curve, the Authority may consider amortizing the 2017 Series A bonds before 2027. Under this strategy, the Authority can lower the financing cost for the approximately \$300 million of bonds by nearly 200 bps. This also lowers the average life for the 2017 series by over 13.5 years. Under the accelerated principal scenario, we have also targeted 2.50x debt service coverage based on the projected revenues in the Authority’s 2016 Series B Official Statement. With a level debt service structure, the maximum annual debt service occurs in 2036 at nearly \$650 million, which would result in approximately 2.3x projected MADS debt service structure compared to MADS debt service coverage of 2.3x in 2024. Debt service for the 2017 issuance could be structured to provide a higher MADS debt service coverage in 2024.

Debt Reserve Considerations. The Authority has a debt reserve requirement of maximum annual debt service for all the outstanding debt. The Debt Reserve Account is funded in part with a \$100 million surety policy from Berkshire Hathaway. This lowers the negative carrying costs of a reserve fund that holds a requirement presently of \$465.81 million. In the structures provided above, we have noted that the reserve requirement will increase significantly if the Authority utilizes a level debt service structure in years 15-25 of each bond issue, but the annual reserve requirement will be much smaller if the Authority elects to structure the new money issues with a wrapped debt service structure. As the Authority typically issues the full par amount authorized to generate maximum proceeds (rather than targeting a specific level of proceeds), a smaller reserve requirement for each issuance will increase the proceeds for the bond sales available for the Construction Fund. Further, as the Authority’s Debt Reserve Requirement continues to grow, it may consider an additional surety policy to continue to reduce the negative carry for the Reserve Fund. In the current market, we estimate that a surety policy may cost the Authority 3.10% of the total policy amount. If the Authority secured a second \$100 million surety policy the cost would be approximately \$3.1 million. With a 2 year US Note yield of approximately 1.20%, the negative carry of approximately 190 bps, the Authority could find that the surety policy would be advantageous in minimizing the negative arbitrage in the Debt Service Reserve Fund.

Fixed vs Variable Rate Debt. The Tollway’s debt structure consists of primarily fixed rate bonds. In the current rate environment, short-term and long-term interest rates have been rising and are expected to continue rising in the near future. As the Authority considers its 2017-2021 bond issues, it is prudent to continue issuing fixed rate bonds as the Tollway has done for the previous *Move Illinois Program* bond issues. Fixed rate bonds will be the most conservative and straightforward way for the Authority to manage debt service costs in relation to toll rates in the near future, particularly since the Authority is likely to continue to need significant liquidity from banks for its synthetic fixed rate bond portfolio.

Provide refunding recommendations and other strategies for managing the Tollway’s bond portfolio during the next five years, including regarding the Tollway’s \$1.2 billion of variable rate bonds, all of which are swapped to synthetic fixed rate.

The Tollway has approximately \$5.9 billion of bonds outstanding with significant portions available to be advance refunded, beginning with call dates in 2023. The Tollway’s callable debt in the near future consists of the 2009 Series A Build America Bonds which have a call date of January 1, 2019 and the \$279.3 million of 2010 Series A-1 bonds with a call date of January 1, 2020. In the graph to the right, we provide the callable par by call date for each series through 2026. The majority of the bonds that are callable in 2023 through 2026 can be advance refunded, as they were issued for new money projects. Under current market conditions, advance refunding opportunities as identified below provide significant economic savings through refunding of these bonds.



Refunding Criteria

The Authority’s Debt Management Guidelines dictate that for advance refundings the Authority should target refundings with at least 3% PV savings; however, the Authority has previously targeted advance refundings with even higher present value savings. The Authority’s near term refunding targets fall within these parameters. The lower threshold combined with higher management guidelines can provide the Authority the ability to maintain flexibility in volatile markets. In the future as more debt from the *Move Illinois Program* becomes callable, it may be worthwhile to develop alternative refunding criteria to assess refunding candidates. As noted above, the Tollway will have \$1.83 billion of callable debt in 2025 and 2026. Among the tests other municipalities use are refunding efficiency thresholds (refunding savings vs. negative arbitrage); option analysis; opportunity cost indices; or variable PV savings tests depending upon final maturity and time to call date.

Efficiency Refunding Savings Calculator

Selecting a refunding universe is often an exercise in determining the savings and efficiency of each candidate maturity, taking into account years to call and years to maturity. Deciding whether a particular maturity is in or out of the deal can be a function of both how much savings it contributes to the overall results and, in the case of advance refundings, efficiency metrics that suggest whether it would be better to wait until closer to the call date. We currently use a number of tools to do these maturity-level calculations: not only

Pro Forma In-the-Money Heat Map with Market Movement

PV Savings by In-the-Money, Coupon, Call Date Range, and Maturity Date Range

Current Market

Coupon	Call Date Category	Maturity Category							
		Meets Criteria				Does Not Meet Criteria			
		< 5.0 yrs	5.0 - 10.0 yrs	10.0 - 15.0 yrs	15.0 - 20.0 yrs	< 5.0 yrs	5.0 - 10.0 yrs	10.0 - 15.0 yrs	15.0 - 20.0 yrs
5.000%	< 0.5 yrs	6.4%	13.6%	13.4%	10.9%	-0.2%			
	0.500 - 1.000 yrs	5.6%	11.6%	11.3%	8.7%	0.4%			
	1.000 - 1.500 yrs	4.8%	9.7%	9.4%	6.7%	0.0%			
	1.500 - 2.000 yrs	3.5%	8.0%	7.6%	5.5%	0.7%			4.3%
	2.000 - 2.500 yrs	3.3%	6.5%	6.4%		0.6%	2.9%	4.1%	1.8%
	2.500 - 3.000 yrs		5.3%	5.7%		-0.3%	3.4%	3.2%	0.4%
	3.000 - 3.500 yrs					-1.1%	2.5%	2.0%	-0.9%
	3.500 - 4.000 yrs								

DBC Monitor and the DBC Refund Savings by Maturity report, but also several in-house Excel models. These tools provide useful data, but until now don't allow the user to present the results in an easily understandable way, or to discern patterns within a large universe of refunding candidates. To remedy this, we have created an enhanced refunding savings calculator that enables users to create concise, simplified pivot tables, heat maps, and tabular graphics that more clearly depict where refunding opportunities can be found. For example, the heat map to the right provides a high-level view of which coupons, maturities, and call dates within a generic universe of candidates offer savings opportunities under a given set of refunding criteria.

Advance Refunding Opportunities

As indicated in the RFP, during the term of the pool, portions of the 2010 Series A-1 Bonds will be currently callable as well as portions of the 2009 Series A Build America Bonds. We have analyzed these refundings both as current refundings on the call date as well as advance refundings in 2017. Given current market conditions, portions of the callable 2010 Series A-1 Bonds meet the Authority's refunding policy and portions of the 2009 Series A bonds also meet the Authority's refunding policy.

The 2010 Series A-1 Bonds are eligible to be advance refunded today since the bonds were used for new money purposes. Using market rates as of January 24, 2017, approximately \$258.95 million of the callable \$274.94 million meet the Authority's refunding criteria. *Through an advance refunding of those candidates that meet the criteria, the Authority can achieve \$17.97 million of present value savings or 6.711% of refunded par.* This refunding can be structured for upfront savings; however, assuming a uniform savings structure, the Authority can achieve cashflow savings of approximately \$773,000 from 2019 – 2024 and \$2.41 million from 2025 – 2031. The table above illustrates the refunding statistics for this advance refunding and the table to the right above provides a maturity-by-maturity refunding analysis for each of the callable 2010 Series A-1 bonds. The green highlighted maturities are those candidates that meet the Authority's refunding criteria.

Savings by Maturity

Series	Maturity Date	Par Amount	Coupon	Call Date	PV Savings (%)	Refunding Efficiency
2010 Series A-1	01/01/2026	\$18,600,000	5.250%	01/01/2020	8.30%	68.9%
2010 Series A-1	01/01/2029	18,160,000	5.250%	01/01/2020	8.05%	57.3%
2010 Series A-1	01/01/2030	37,045,000	5.250%	01/01/2020	7.60%	60.9%
2010 Series A-1	01/01/2027	27,585,000	5.000%	01/01/2020	7.45%	52.5%
2010 Series A-1	01/01/2028	29,295,000	5.000%	01/01/2020	7.07%	61.5%
2010 Series A-1	01/01/2026	22,500,000	5.000%	01/01/2020	7.02%	65.2%
2010 Series A-1	01/01/2025	41,880,000	5.000%	01/01/2020	6.38%	65.7%
2010 Series A-1	01/01/2029	15,000,000	5.000%	01/01/2020	6.23%	63.4%
2010 Series A-1	01/01/2031	41,040,000	5.000%	01/01/2020	4.94%	49.4%
2010 Series A-1	01/01/2027	16,665,000	4.500%	01/01/2020	4.50%	64.5%
2010 Series A-1	01/01/2024	1,905,000	4.250%	01/01/2020	0.90%	23.7%
2010 Series A-1	01/01/2023	1,825,000	4.125%	01/01/2020	-0.40%	-20.3%
2010 Series A-1	01/01/2022	1,740,000	4.000%	01/01/2020	-1.62%	-681.6%
2010 Series A-1	01/01/2021	1,700,000	4.000%	01/01/2020	-2.62%	185.0%
Total		\$274,940,000				

Summary of Refunding Results

Par Amount of Refunded Bonds	\$267,770,000
Par Amount of Refunding Bonds	\$258,945,000
All-In TIC	3.230%
Arbitrage Yield	3.006%
Escrow Yield	1.337%
Average Coupon of Refunded Bonds	5.046%
Value of Negative Arbitrage	\$11,658,890
Total Cashflow Savings	\$22,935,125
Average Annual Savings	\$1,688,475
Net PV Savings (#)	\$17,970,374
Net PV Savings (%)	6.711%

The 2009 Series A bonds have a par call date of January 1, 2019, but since they are Build America Bonds, any advanced refunding would eliminate the direct payment subsidy on the date the refunding transaction closes. As RBCCM has previously shown the Authority, the Tollway can execute a crossover refunding for the Build America Bonds to maintain the direct payment subsidy. In a crossover refunding, the Authority's refunding bonds

Savings by Maturity

Series	Maturity Date	Par Amount	Coupon	Call Date	PV Savings (%)	Refunding Efficiency
2009 Series A	01/01/2020	\$18,460,000	5.293%	01/01/2019	2.06%	69.7%
2009 Series A	01/01/2021	15,105,000	5.293%	01/01/2019	4.77%	78.9%
2009 Series A	01/01/2022	16,975,000	5.293%	01/01/2019	6.82%	80.2%
2009 Series A	01/01/2023	13,830,000	5.293%	01/01/2019	8.53%	80.8%
2009 Series A	01/01/2024	13,690,000	5.293%	01/01/2019	9.89%	80.8%
Total		\$78,060,000				

Summary of Refunding Results

Par Amount of Refunded Bonds	\$78,060,000
Par Amount of Refunding Bonds	\$74,525,000
All-In TIC	2.238%
Arbitrage Yield	2.103%
Escrow Yield	1.015%
Average Coupon of Refunded Bonds	5.293%
Value of Negative Arbitrage	\$1,360,712
Total Cashflow Savings	\$5,271,459
Net PV Savings (#)	\$4,800,342
Net PV Savings (%)	6.150%

fund an escrow account that pays the interest on the refunding bonds until the crossover date. After the crossover date, the Authority begins payment on the refunding bonds debt service. This allows the Authority to continue receiving the direct payment subsidy until the call date for the bonds. **Using market rates as of January 24, 2017 through a crossover refunding structured for uniform savings, the Authority could achieve \$4.8 million of present value savings or 6.15% of refunded par.** This refunding provides approximately \$1.055 million of cashflow savings from 2020 – 2024. It should be noted that although the term bond due on January 1, 2024 is callable in whole, the sinking fund payment due on January 1, 2019 is not callable since that is the earliest call date for the term bond. The tables to the right illustrate the refunding statistics and maturity-by-maturity savings for this crossover refunding.

Refunding of the Authority's Variable Rate Bonds. A significant portion of the Authority's debt (approximately 20%) is in the form of variable rate debt that is swapped to a fixed rate. We have developed several strategies for issuers looking to reduce their exposure to this form of debt. Regulations implemented over the past several years limit our ability to provide information via an RFP process regarding interest rate swaps without certain procedures in place. While we are unable to provide detailed swap-related ideas in this RFP, our team has the expertise and resources to help the Tollway (once it has engaged a swap advisor) to evaluate swap opportunities. RBCCM is one of the highest rated bank and swap counterparty available to municipal issuers and a leading provider of interest rate swap services nationally. We have a dedicated group within our municipal finance department focused on providing customized financial products including interest rate swaps and hedging products. Our Credit Solutions Group works closely with our banking team to structure the optimal financial products to meet our clients' financial objectives. In today's market, our team is actively aiding our clients to novate existing swap transactions from downgraded counterparties and counterparties looking to reduce municipal exposures.

Provide descriptions of two or three recent examples of municipal financings that demonstrate your firm's creative skills and services for the benefit of its municipal clientele, as relating to the structuring and underwriting of a bond financing.

RBCCM is a thought leader in the municipal market and has worked with our clients in numerous situations to develop new credits, enhance existing credits, and develop financing products to better meet our clients objectives to achieve the lowest cost of financing available in the market. **RBCCM has been mandated to assist the City of Chicago revamp its existing Sales Tax credit to enhance the security structure and achieve higher ratings as compared to its General Obligation credit.** Additionally, RBCCM has presented below three case studies that highlight our recent experience developing creative and innovative financing products and credits for our clients.

\$839,770,000 State of Connecticut, Special Tax Obligation Bonds 2015 Series A and B



On October 1, 2015, RBC Capital Markets served as Senior Bookrunning Manager on \$839,770,000 State of Connecticut (the "State"), Special Tax Obligation ("STO") Bonds 2015 Series A and 2015 Series B (the "2015 Series A&B Bonds"). The proceeds of the 2015 Series A bonds will be used to finance transportation infrastructure purposes and the proceeds of the 2015 Series B bonds will be used to refund the outstanding 2007 Series A bonds.

In the 2015 legislative session, the State enacted legislation that made several significant changes to the Special Transportation Fund (the "STF") to enhance the current Special Transportation Program. The enhancements to the STF include a new sales tax pledge of up to 0.50% of the current 6.35% sales tax, a direct deposit of 100% of the Oil Companies Tax into the STF and the elimination of general fund transfers to the STF. Additionally, the legislation established a statutory "lockbox" mechanism, which establishes the STF as a perpetual fund whose monies remain in the fund and can only be used to fund transportation related purposes.

Given the pledged revenue enhancements and added security features, RBCCM, in coordination with the State, developed a comprehensive marketing and investor outreach plan. The POS was released two weeks prior to pricing and RBCCM held a department-wide salesforce teach-in to provide a clear overview of the credit enhancements and marketing strategy. The week prior to pricing, RBCCM arranged for the State to participate in 17 one-on-one institutional investor calls as well as launch a targeted print and digital ad campaign to attract retail investors.

The retail order period saw an outstanding response, garnering \$444 million in retail orders, the largest amount of retail orders in the history of the State. The salesforce reached out to over 66 institutional accounts during the marketing period to gather indications of interest. With an additional \$2.3 billion of orders coming into the order book during the institutional order period, the overall offering for State was 3.29x subscribed and RBCCM lowered spreads to MMD 3-7 basis points across the yield curve with a final spread to MMD of 40 basis points for the 20-year maturity. Moreover, of the 17 investors the State held one-on-one investor calls with, 14 investors placed orders for the bonds, including 4 new investors to the STO credit.

\$340,140,000 Miami-Dade County; General Obligation Bonds Series 2014-A and 2015-D



On May 25 2016, RBCCM served as Senior Bookrunning Manager for Miami-Dade County's \$340,140,000 Series 2014-A (\$112,925,000) and 2015-D (\$227,215,000) General Obligation Bond issue. The proceeds from the Series 2014-A and Series 2015-D bonds will be used to mode convert previously issued Flexible Drawdown Bonds. The County's pricing week marked the first full week since the FOMC's dovish stance was revealed in the FOMC minutes released on May 18th. Between May 17th and May 20th the indicative likelihood of a FOMC interest rate hike in the futures market increased by 16% and 20% for the June and July meetings respectively. As a result, the week before pricing MMD

increased by 8-10 bps in years 1-10. Most large tax-exempt transactions priced the week of 5/23/16 felt the residual effects of the FOMC's reversal on policy. Emboldened by that policy change towards higher rates, major investors believed they had the leverage to push for wider spreads and higher yields. The transaction entered Retail Order Period on Monday, May 23, 2016, where RBCCM offered \$119.95 million of the Series 2015-D bonds. The bonds were offered with a coupon structure ranging 2.0% to 5.0% maturing from 2017-2033, and a 3% term bond maturing in 2041. As market volatility continued, a modest \$29.45 million in total retail orders were received.

As evidenced by the final institutional order book on Tuesday, May 24, 2016 and a resultant residual balance in excess of 50% of stated amortizations, a decision needed to be made to either further raise yields to higher levels or advance a final yield/spread proposal to the County and support the transaction with a substantial level of capital commitment. RBCCM proposed the more aggressive solution of not raising yields to clearing levels, which the County accepted. ***RBCCM ultimately underwrote \$136.750 million of bonds (40.2% of the total transaction size) that were taken into inventory thereby "stabilizing" the integrity of the pricing and insulating the County from the penalty of higher market clearing levels.*** The final pricing resulted in a True Interest Cost of 3.43% for a term just under 30 years, which is near historic lows for the County's General Obligation debt program.

Assuming your firm was the lead (bookrunning) Senior Managing Underwriter on an Illinois Tollway bond issue, provide your firm's ideas on how best to conduct a negotiated sale. For purposes of this response, assume a \$300 million senior lien fixed rate bond issue with maturities in years 15-25. You may include recommendations on the optimal size of the underwriting group, including the number of senior managing underwriters, co-senior managing underwriters and co-managing underwriters, and recommendations for supporting fair allocations among members of the underwriting group.

As a senior manager, RBCCM believes in conducting the orchestra and leading the brass section in a collaborative and transparent manner. In serving as the Tollway's Senior Manager, RBCCM would propose the Tollway continuing to utilize the syndicate structure that has served it well – two joint bookrunning managers, two co-senior managers, and six co-managers. This allows the Authority to reach a wide and deep distribution of the bonds across various investor segments and achieve goals of participation by minority, female, veteran's or disabled owned business enterprises. We would propose maintaining this syndicate structure for a large bond issue such as a \$300 million issuance as it will allow each manager to distribute the bonds.

Communication is critical to successful syndicate management. As Senior Manager, RBCCM would ensure that all syndicate members would be treated fairly for any Tollway transactions. We have excellent relationships with all municipal co-managers and work regularly with them as RBCCM is the most active firm in the municipal marketplace as indicated by number of deals for which the firm has served as lead manager. A national co-manager plus local Illinois co-managers can add significant value by drawing upon their strong relationships with Illinois specific funds and local, qualified retail investors. All co-managers would have their retail and institutional orders filled on the same basis as RBCCM. Our underwriting desk would consult with the entire syndicate group on structure of the bonds in terms of maximizing retail and institutional demand through couponing, par vs. premium vs. discount, and bifurcating and trifurcating coupons in the same maturity to reach every pocket of demand. We would work closely with the Tollway and its Municipal Advisor on allotments to ensure that the Authority is comfortable with the proposed allotments and are fair and reasonable for all syndicate members.

Priority of Orders and Compensation Strategy. RBC recommends the following Priority of Orders: (1) Group Net, and (2) Member. While other states have proven successful with targeting retail investors, the retail market in Illinois is much less deep due to the lack of the state income tax exemption for municipal interest for the vast majority of state income tax bonds. Because the majority of orders will come in through the senior manager (many investors believe they have a better chance of being allocated bonds if they order through the senior manager), it is important to balance the economics of the transaction for co-managers. A Group Net structure does that. Additionally, RBCCM recommends that professional retail orders be paid out as Group Net orders for the benefit of the syndicate.

B. Marketing.

Provide a marketing plan for Tollway bonds, assuming a \$300 million senior lien fixed rate bond issue with maturities in years 15-25, which capitalizes on your firm's marketing strengths to help broaden the market for the Tollway's bonds. This should include information on your distribution capabilities and identification of types (and names if possible) of key potential buyers that you would approach. Your discussion should include how you would deploy your retail (if/as applicable) and institutional sales distribution capabilities and a description of the investor base you feel should be targeted and strategies on how to reach those investors. This information should demonstrate how your firm will reach buyers that broaden the market for the Tollway's bonds, helping to ensure that the Tollway obtains the lowest possible interest rate. Topics may include issues regarding bond structure to the extent impactful on marketing efforts, bond ratings considered most beneficial to marketing efforts, credit rating strategies, investor marketing strategies, investor presentations and frequency of roadshows, timing of printing, sale and closing, and any other matters the Offeror deems pertinent to the marketing and sale of the bonds. Provide examples of bond issues for which the competitive strengths that you would ascribe to your bond sales area benefitted the transaction.

Investor Outreach and Marketing Plan that will Achieve the Lowest Borrowing Cost

RBCCM's marketing approach is designed to reach a diverse audience of prospective buyers and convey to this audience the key credit strengths of the Authority. In addition to all credit positives the Authority regularly presents to the rating agencies, the **key messages** that we find are helpful in highlighting the relative value of Authority's bonds to investors include:

- **Best liquid high-grade credit in Illinois:** With ongoing "noise" around the State's financial condition, investors will give value to the Authority as a stand-alone financial enterprise "ring fenced" from the State. In fact, the Authority has effectively navigated the credit landscape over the past five years, in particular given the backdrop of the pension issues of the State. The Authority remained a premier toll road credit in the nation with some of the highest ratings (Aa3/AA-/AA).
- **Strong Market Position and Senior Management:** Essential road system with a strong economic and financial history serving metropolitan Chicago, one of the largest, most robust regional economies in the United States; Experienced and proactive Board and management, providing strong governance and oversight
- **Robust Traffic Performance:** Strong revenue growth and stable toll transactions despite construction impacts and toll increases; Demonstrated willingness to increase tolls; Even after recent increases, toll rates remain affordable and compare favorably with peers.
- **Implemented Toll Increases:** The Authority's bonds are secured by toll revenues for which rate increases have been approved and implemented over the last several years. Further, the Tollway has indexed its commercial vehicle toll rates to adjust annually based upon the Consumer Price Index after 2017. This will allow the Authority to avoid letting toll rates stagnate as costs increase. Recently passenger car toll rates have also increased.
- **Solid Financials and Debt Service Coverage:** Conservative debt profile with relatively level debt service and final maturities limited to 25 years; Significant amount of cash on hand; Strong legal protections and covenants for bondholders

RBC's Demonstrated Results for the Authority. The strength of RBCCM's marketing and distribution capabilities was clearly demonstrated by the results of the Authority's 2016 Series A Bonds pricing that RBCCM senior managed – our extensive marketing efforts resulted in orders from 58 different investors. The order book for the 5% coupon bonds reached between 3.6 and 4.5 times over-subscription across all maturities. RBCCM recommended a 4.00% coupon structure for one of the maturities based on targeted investor interest; we analyzed the incremental savings versus on the lower coupons vs. future call optionality. Ultimately the size of the 4.00% coupon maturity was limited to just the level of investor interest that was expressed. Spreads were tightened 7 and 8 basis points on the 5.00% coupon bonds from pre-marketing levels. ***On this transaction the Authority achieved the tightest credit spreads it had seen in the financing of the multi-billion Move Illinois Program to date.***

Investor Education. RBCCM would once again work with the Authority to develop materials that clearly illustrate the credit attributes of the bonds and recommend an on-line investor presentation to communicate the credit story and transaction details. Investors always appreciate this type of material being readily available, particularly with a widely known credit such as the Authority's, as it allows them to more easily update their internal credit profiles and business case approvals. We also recommend that the Authority's senior management be available for one-on-one investor calls/meetings upon request. The Authority has had success emphasizing the theme that it is an "Essential Road System with Strong Economic and Financing History" which continues to be the ongoing theme and communicated as follows:

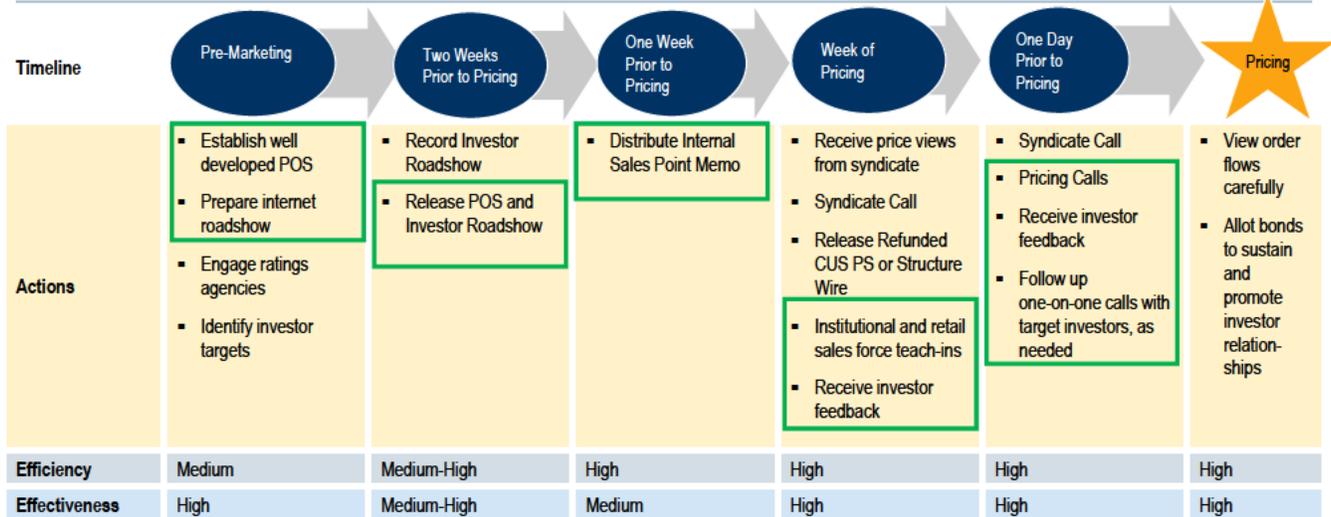
- Differentiate the Authority's credit from the State of Illinois and other Illinois municipalities as it is more comparable to a toll road credits nationally and is a competitive enterprise;
- Highlight importance to regional economy;
- Essentiality and inelastic demand with significant unused tolling capacity.

This investment thesis should be communicated in the following manner to a list of targeted investors that will drive demand:

1. **Lead with Credit.** Engage credit analysts and portfolio managers early by keeping Authority management in front of, and available to, them throughout the entire process;
2. **Reposition the Credit.** Re-tell the story highlighting the factors that underlying credit quality investment thesis credit strengths and provide investors with the necessary resources to approve the credit and participate;
3. **Broaden the Audience.** Use RBCCM's sales force, which covers more investors than any municipal desk, and target one-on-one calls and/or meetings; and
4. **Solve for the Best Price.** Create pricing tension among a broad audience by leveraging the strength of Tier I, II, and III distribution to achieve the lowest cost.

Marketing Timeline. RBCCM has presented on the following page a marketing timeline which outlines the steps RBCCM would take to engage the syndicate, target investors, and market the Authority's bond transaction. Our marketing timeline is targeted to maximize investor participation and minimize spreads. We have found that a thoughtful and targeted marketing approach leads to a strong order book and ultimately aggressive pricing. By releasing the POS early, the Authority can have flexibility in entering an attractive market. The other steps that the Authority can take in advance of pricing to prepare and facilitate investor diligence are included in the below timeline.

Proposed Marketing Timeline, Efficiency, and Effectiveness



Targeted Institutional Investor Outreach. The key component of our marketing efforts is to bring in a diverse group of institutional buyers to create pricing tension to drive down yields. This includes current top holders of the Authority's bonds that are familiar with the credit as well as investors that are not currently holding the Authority's paper but are holders of other toll road bonds and Illinois bonds, as highlighted in table below.

Bondholder Analysis - Top 20 Holders

INVESTORS THAT HAVE A DEMONSTRATED PREFERENCE FOR THIS CREDIT		INVESTORS THAT HAVE ALSO BOUGHT TOLL ROAD CREDITS		INVESTORS THAT HAVE ALSO BOUGHT ILLINOIS CREDITS	
Top Illinois Tollway Bondholders		Top Tollway Bondholders		Top Illinois Bondholders	
Investor	Holdings (\$000s)	Investor	Holdings (\$000s)	Investor	Holdings (\$000s)
Vanguard	305,460	Vanguard	6,224,268	Vanguard	5,868,568
Nuveen Asset Mgmt	263,825	Nuveen Asset Mgmt	3,610,658	Nuveen Asset Mgmt	5,789,265
J.P. Morgan Investment Mgmt	198,135			J.P. Morgan Investment Mgmt	933,978
Morgan Stanley Investment Mgmt	186,102				
Capital Research & Mgmt	163,025	Capital Research & Mgmt	1,278,015	Capital Research & Mgmt	2,203,422
PineBridge Investments	157,375	PineBridge Investments	763,790		
Federated Investment Mgmt	149,450				
BlackRock Advisors	142,280	BlackRock Advisors	2,382,447	BlackRock Advisors	3,093,921
Fidelity Investments	136,315	Fidelity Investments	1,314,550	Fidelity Investments	3,567,800
Wells Capital Mgmt	105,300	Wells Capital Mgmt	899,106	Wells Capital Mgmt	2,581,445
Wellington Mgmt Company	103,485	Wellington Mgmt Company	818,939		
Alliance Bernstein	102,352	Alliance Bernstein	1,398,555	Alliance Bernstein	1,116,914
J.P. Morgan Investment Mgmt (Columbus)	100,000				
T. Rowe Price	90,460	T. Rowe Price	1,172,295	T. Rowe Price	885,350
State Farm	78,000	State Farm	1,033,765	State Farm	886,035
PGIM, Inc.	76,105				
BlackRock Fund Advisors	70,144	BlackRock Fund Advisors	741,595		
MetLife	70,015	MetLife	823,595		
Deutsche Investment Mgmt	64,295	Deutsche Investment Mgmt	993,715	Deutsche Investment Mgmt	1,039,990
Guardian Investor Services, LLC	53,350				
		Franklin Advisers	4,042,945	Franklin Advisers	1,217,817
		PIMCO	1,431,354	PIMCO	1,667,256
		WAMCO	1,228,502		
		Goldman Sachs Asset Mgmt	978,340	Goldman Sachs Asset Mgmt	1,415,744
		Loews Corp.	920,175		
		Invesco Advisers	748,750	Invesco Advisers	1,511,255
				USAA Asset Mgmt Company	1,574,466
				Columbia Threadneedle Investments	1,481,034
				MacKay Shields	998,140
				J.P. Morgan Investment	933,978
				Lord, Abbe t & Co.	928,425
				State Farm	886,035

Existing holders have signed off on the credit and may maintain exposure as bonds mature or increase exposure

Top Toll Road holders have a demonstrated sector preference and are more likely to sign-off on the credit

Top Illinois holders have a demonstrated sector preference and are more likely to sign-off on the credit

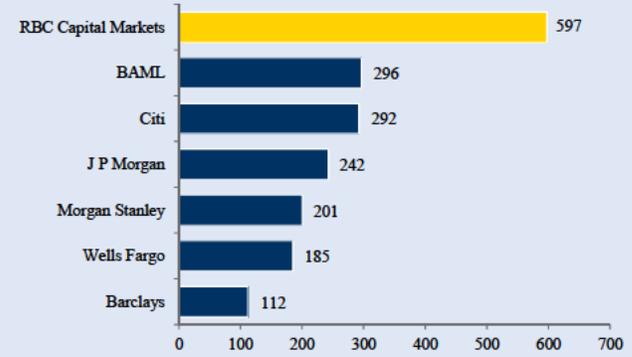
Distribution Capabilities

Since the credit crisis, the depth and breadth of an underwriter's distribution network has become a more important part of every underwriting process, as well as the strength of a firm's balance sheet and ability to underwrite bonds for the client's benefit. RBCCM is one of the last remaining firms with a true balanced distribution network. **We provide complete coverage of all investor classes in both taxable and tax-exempt bonds and we employ an extensive, multi-tiered institutional and retail marketing strategy on all major issues.** Over the last several years, we have opted to maintain a sizable sales force by design, and we have enhanced our trading and institutional sales staff with major hires from Citi, JP Morgan, UBS, and Morgan Stanley.



RBC Competitive Advantage – Superior Market Intelligence.

RBCCM brings the highest level of market intelligence to a negotiated pricing by leveraging our competitive advantage of being the leader in number of negotiated issues annually among the top underwriters. As shown in table to the right, of the top negotiated underwriters in the municipal finance industry, RBCCM is in the market more frequently by far, averaging 500+ deals per year. As a result of senior managing 10 to 12 issues per week on average, RBCCM has a unique “feel” for the market on any given day regarding specific investor preferences. RBCCM combines this market knowledge and access to Tier II and III investors with a comprehensive investor outreach effort (described below), to leverage investor demand and achieve the lowest possible yields at the time of pricing.



Source: Securities Data Corporation

Institutional Distribution. RBCCM provides complete coverage of a national account base which includes bond funds, pension funds, arbitrage accounts, hedge funds, insurance companies, corporations, investment advisors and high net worth individuals. Our institutional distribution platform includes municipal sales and trading hubs in New York, Philadelphia, Boston, Dallas, Nashville, Chicago, Minneapolis, and San Francisco. As detailed below, in order to ensure optimal marketing and distribution performance, our targeted approach to the successful distribution of municipal bonds involves the deployment of key aspects of our extensive domestic distribution network:

- 61 fixed income institutional salespeople covering Tier I, II, and III tax-exempt and taxable investors – this group is the core component of our distribution system and is the largest institutional salesforces in the municipal bond industry;
- 28 municipal traders and underwriters, providing an unmatched depth of market intelligence and secondary trading support; and
- 5 professionals who specialize solely in the distribution of short-term bonds, including administering a \$12.96 billion remarketing portfolio covering 411 separate issues.

Retail Distribution. Complementing our institutional distribution platform is the robust retail network of RBCWM, including City National Bank, which RBC acquired in 2015. RBCCM has a team of nine retail traders dedicated to the RBC Wealth Management retail network of over 1,800 financial advisors who operate in 40 states through 206 offices and approximately 331 City National brokers in 75 offices. RBCCM currently has \$205.3 billion in assets under management, of which \$30.1 billion, or 14.7% of total assets, are composed of municipal debt. These traders are responsible for facilitating the purchase and sale of tax-exempt and taxable municipal securities with all of our retail customers. On average, they're holding over 1,000 individual securities daily in an effort to provide liquidity to our retail clients. RBCCM and RBCWM presently maintain six offices in the State of Illinois including locations in the following cities: Chicago, Buffalo Grove, Oakbrook Terrace, Orland Park, Rockford, and Winnetka. These offices are a will be a vital part of our ability to market municipal issues to individual investors. These offices house 155 employees, who service 18,278 retail accounts in Illinois, comprising approximately \$4.27 billion of assets under management.

RBCCM's 700 Person NYC Trading Floor



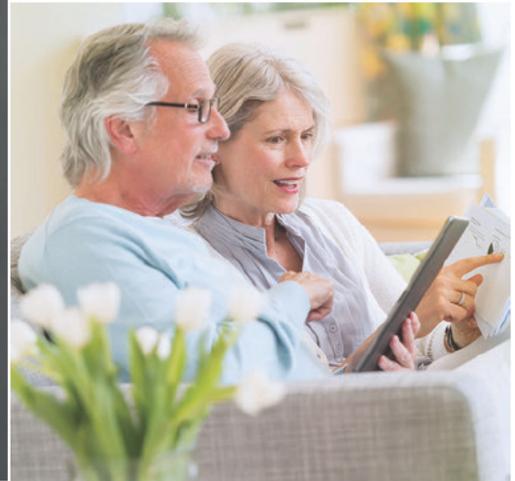
RBC Retail Statistics

	National	Illinois
Municipal Retail Traders	9	-
Total Accounts	751,444	18,278
Total Assets Under Management (\$ billion)	\$205.30	\$4.27
Muni Account Assets (\$ billion)	\$30.10	\$446.26
Muni Assets as % of Total Assets	14.66%	10.43%
Number of Offices	206	6
Financial Consultants	1,839	155

7. Financials

The Offeror shall provide the last three (3) most recent Year End Financial Statements.

The firm's financial statements for the 2014, 2015, and 2016 fiscal years are included in the CD as permitted in Addendum 1.



ROYAL BANK OF CANADA ANNUAL REPORT 2015

Helping clients thrive and communities prosper



RBC

By the numbers

#1

largest bank
in Canada

#13

largest bank
in the world

~40

countries

~78,000

employees

16 Million+

clients across
a diversified mix
of businesses

\$100 Million+

donations, sponsorships
and community
investments to
causes worldwide

All figures as at October 31, 2015. Geographic rankings based on market capitalization.

Our values guide, unite and inspire us to do what's right

Client First

We will always earn the right
to be our clients' first choice

Diversity & Inclusion

We embrace diversity for
innovation and growth

Collaboration

We win as One RBC

Integrity

We hold ourselves to the highest
standards to build trust

Accountability

We take ownership for personal
and collective high performance

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To view our online annual report, please visit: rbc.com/ar2015

Executing on our strategy

RBC is focused on markets and client segments where we can apply our strengths to win business, deepen relationships with clients and our communities, and create shareholder value. We are pursuing initiatives to drive sustainable growth and contribute to the success of our employees, clients, shareholders and communities.

Purpose

Helping clients thrive and communities prosper

Vision

To be among the world's most trusted and successful financial institutions

Strategic Goals



In Canada: To be the undisputed leader in financial services

Highlights

- ▶ Continued to lead across key businesses and client segments
- ▶ Delivered solid volume growth
- ▶ Led peers in retail client cross-sell
- ▶ Launched innovative products and services to meet clients' evolving needs and expectations
- ▶ Ranked as the most valuable brand¹ in Canada



In the U.S.: To be the preferred partner to corporate, institutional and high net worth clients and their businesses

- ▶ Announced acquisition of City National Bank² creates a powerful platform for long-term growth in the U.S., and provides significant opportunity to build deeper client relationships
- ▶ Expanded capabilities, presence and brand awareness
- ▶ Won several significant mandates in corporate and investment banking
- ▶ Strategically added top talent



In select global financial centres: To be a leading financial services partner valued for our expertise

- ▶ Prudently built out our wealth management, asset management and capital markets presence and capabilities
- ▶ Realized significant operational improvement in our custodial business and continued investment in client-focused technology solutions
- ▶ Refocused international wealth business to better serve high net worth clients from our key operational hubs
- ▶ Improved business performance in the Caribbean

1. Brand Finance

2. Acquisition closed on November 2, 2015

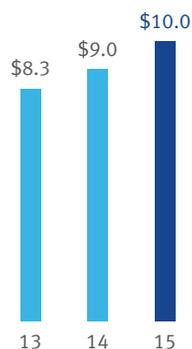
Achieving strong performance

In 2015, we grew earnings by 11%, increased our annual dividend by 8% from last year, delivered strong return on equity of 18.6% and strengthened our Common Equity Tier 1 capital ratio to 10.6%.

Metrics	Objectives	Results	Achieved
Diluted EPS Growth	7%+	12.2%	✓
Return on Equity	18%+	18.6%	✓
Capital Ratio (CET1)	Strong	Strong	✓
Dividend Payout Ratio	40% – 50%	46%	✓

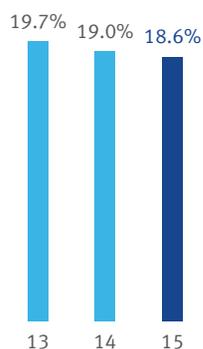
Solid Earnings

Net Income (C\$ Billion)



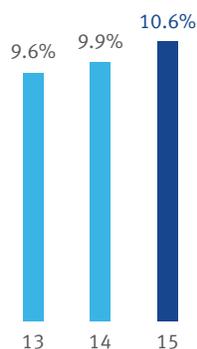
Profitable Growth

Return on Equity (ROE)



Financial Strength

Common Equity Tier 1 (CET1) Capital ratio



Solid Returns to Shareholders

Dividends Declared per Share



Total Shareholder Return¹

	Three-year	Five-year	Ten-year
RBC	14%	11%	10%
Global Peer Average	15%	12%	8%

Since 2005 we've increased our dividend by an annualized rate of 10%

1. Annualized TSR is calculated based on the TSX common share price appreciation plus reinvested dividend income. Source: Bloomberg, as at October 31, 2015. RBC is compared to our global peer group. The peer group average excludes RBC; for the list of peers, please refer to our financial performance objectives section of our 2015 Management's Discussion and Analysis

Delivering stability and growth

Our diversification by business and geography contributes to consistent performance and growth opportunities. Our employees collaborate across businesses and geographies to ensure our clients benefit from the full breadth of RBC's unmatched capabilities, advice, and solutions to meet their financial needs and aspirations.

Earnings by business segment



- 52% ■ Personal & Commercial Banking
- 11% ■ Wealth Management
- 7% ■ Insurance
- 6% ■ Investor & Treasury Services
- 24% ■ Capital Markets

Personal & Commercial Banking

- Number 1 or 2 share in all key Canadian Banking product categories
- Largest sales force in Canada
- Continued to deliver client innovations:
 - ▶ Host Card Emulation technology allowing clients with Android devices to use RBC Wallet™ anywhere in the world
 - ▶ RBC Newcomer Advantage™ offering new financial solutions to help newcomers get established quickly
 - ▶ Cheque-Pro™ allowing high cheque volume clients to easily make deposits online
- Continued to focus on quality asset and revenue growth

Wealth Management

- Top 5 global wealth manager²:
 - ▶ #1 in Canada – Largest fund company³ and leader in high net worth market share⁴
 - ▶ 7th largest brokerage firm in the U.S.⁵
 - ▶ Our Global Asset Management business is one of the fastest growing asset managers in the world⁶
- Announced key acquisition of City National Bank adding private and commercial banking capabilities complementing our presence in the U.S.
- Focused U.S. & International business to better serve high net worth and ultra-high net worth clients from our key operational hubs

Insurance

- A Canadian market leader and among the fastest growing insurance organizations in the country⁷
- Ranked as #1 Banking-Based Insurance Brand Globally⁸

Investor & Treasury Services

- Rated by our clients #1 global custodian for five consecutive years⁹
- Dominant offshore provider in Luxembourg and Dublin, and rated UCITS Fund Administrator of the Year¹⁰
- Canada's leading asset management provider¹¹ with number one ratings across client service, custody, fund administration and Canadian dollar transactions
- High level of investment in client-focused technology solutions

Capital Markets

- 10th largest bank globally and in the Americas¹²
- Best Investment Bank in Canada across Equity, Debt and M&A for 8th consecutive year¹³
- Strategically aligned with ~90% of global investment banking fee pool¹²
- Leveraged depth of capabilities including cross-border solutions to deepen client relationships

Revenue by geography



We work together to bring the best of RBC to our clients to help them achieve their goals



- Helped over 200,000 Canadians buy a home this year
- Supported businesses globally with nearly \$130 billion in business loans
- Helped 4.9 million clients bank online every month

1. Amount excludes Corporate Support
2. Scorpio Partnership Global Private Banking Benchmark 2015
3. Investment Funds Institute of Canada, June 2015 and company data
4. Investor Economics, April 2015
5. By assets under administration – company data
6. Boston Consulting Group, McKinsey
7. Company data
8. Brand Finance

9. Global Investor ISF Global Custody Survey 2011 to 2015
10. Custody Risk, European Awards, 2015
11. Global Investor ISF Global Custody Survey 2015; R&M Global Custody Survey 2015; Global Investor ISF Fund Administration Survey 2015; Global ISF Beneficial Owners Survey 2015; The Banker, November 2014
12. Thomson Reuters Global Investment Banking Review, Q3 2015
13. Euromoney

For more awards, please visit: rbc.com/aboutus/awards.html

Helping communities prosper

As a recognized leader in corporate citizenship, we're focused on delivering high-value impact through our efforts, initiatives and investments. We are proud to support our employees as they actively contribute their time, resources and expertise to making a difference in the world. Together, we're creating meaningful impact and contributing to a prosperous future.

Impact

Community and Social



Invest in communities where we live and work, and issued more than 4,500 grants to support the volunteer efforts of our employees.



Lead in corporate citizenship as our efforts make a positive and lasting impact.



Shape thought leadership by contributing our expertise to shape the future.

\$100 Million+

Contributed in donations, community investments, and sponsorships in communities around the world.

Initiatives



Youth

We know that when you believe in young people, anything is possible. We support a wide range of key programs that span education, health, sports, entrepreneurship, career development and financial literacy, to make sure young people have the right skills and opportunities to succeed.



Arts

Our support of the arts is a long-standing priority, as we recognize the arts are the heart of our communities and culture. We are particularly focused on the next generation of artists through our Emerging Artists program.



Environment

The RBC Blue Water Project® is our 10-year global commitment of \$50 million to help protect fresh water, now and for future generations. This year, nearly 25,000 employees participated in 850 Blue Water Day makeover events in over 25 countries.

Our contribution of time, funds and expertise to the world around us will continue to be a focus and drive our success moving forward



For more information, please visit: rbc.com/community-sustainability/index.html

Message from Dave McKay

At RBC, we help our clients thrive, and our communities prosper. This simple statement sums up who we are, what we stand for and what we seek to achieve each day when we come to work. It also reflects our successes and achievements throughout 2015, from record earnings, to our ongoing investments in delivering an exceptional client experience, to the deep commitment we have to making a positive difference in the communities where we live and work.

We earned a record \$10 billion, up 11% from last year, reflecting consistent strength across our businesses. We earned \$6.73 per share on a diluted basis, delivered a return on equity of 18.6%, and strengthened our capital position, ending with a Common Equity Tier 1 capital ratio of 10.6%. We also raised our dividend twice during 2015, for an annual increase of 8%. I am pleased to say we met all of our financial objectives, which measure our progress toward maximizing Total Shareholder Returns (TSR). We delivered compound annual TSR of 14% and 11% over the three- and five-year periods, respectively.

We achieved these results despite a challenging macroeconomic environment. Global growth remains uneven, holding back investment and employment. Canada's economy struggled in the first half of the year due to a sharp pull-back in oil prices, which negatively affected other parts of the economy and impacted real GDP growth. Growth improved in the second half of the year due to strengthening export demand, higher consumer spending and residential investment spurred in part by lower energy prices and a weak Canadian dollar. Interest rates in Canada and abroad remained at or near historical lows, reflecting central bankers' ongoing concern about the near-term health of their economies.

Against this backdrop, our record earnings reflect our progress in attracting and serving the needs of personal, business and institutional clients, the power of our diversified business model, and our prudent approach to risk management. We also remained focused on managing costs and reducing the rate of growth of our expenses, while continuing to invest, with a particular focus on innovation, technology and digitization.

Focus on innovation

The financial services industry continues to face change including advancements in disruptive technology, new competitors, and a corresponding evolution in client needs and expectations. We have a long and successful history of innovation and are leveraging technology to improve the way we serve our clients by delivering simple, useful, timely and secure mobile and digital experiences.

The results we have seen to date show that we are having an impact. We have close to 5 million active digital customers per month, of which 2 million are mobile and tablet users. They deposited more than \$2.5 billion by cheque through our mobile channel in the feature's first five months of availability.

Innovation also drives efficiency, and we continue to simplify how we work and digitize processes.

We are confident that we have a number of significant advantages which we can leverage as we navigate the digital transition including a brand which has the trust of millions of clients around the world, a proven innovation track record that has led to securing patents in areas including secure cloud payment and security technology, our global scale, and depth and breadth of products and services. At the same time, we will continue to move quickly to ensure we have the technology and solutions our clients want to see from their financial services provider.

An undisputed Canadian leader

Our success continues to be driven by the strength and stability of our businesses, centred first and foremost on our clients and their success.



See Dave McKay's video message to stakeholders: annualreports.rbc.com/ar2015/ceo.html

Looking forward, we are confident that we will continue to grow by appealing to key client segments including high and ultra-high net worth clients as well as newcomers to Canada who represent an important and growing market.

Our success continues to be driven by the strength and stability of our businesses, centred first and foremost on our clients and their success.

In Canada, we continued to bolster our position as the undisputed financial services leader, building on our scale and breadth and ensuring we serve our clients as One RBC, bringing the best we have to offer from all our businesses.

We hold the number one or two market position in all key retail and business product categories. We remain the market leader in business banking, underwriting a quarter of all business loans under \$25 million and providing a key source of capital to the small- and medium-sized businesses which fuel Canada's economy.

We continue to be Canada's top wealth manager with a leading share of the high net worth market, the largest fund company, the top investment bank with leading rankings across Equity, Debt & M&A for the 8th consecutive year, a market leader and among the fastest-growing insurance organizations in the country, and a leading provider of Canadian clearing, cash management and trade finance through our Investor & Treasury Services business.

Looking forward, we are confident that we will continue to grow by appealing to key client segments including high and ultra-high net worth clients as well as newcomers to Canada who represent an important and growing market. We will also continue to focus on underpenetrated commercial banking segments and building loyalty amongst our existing client base as a result of the differentiated experience they have with us.

Beyond Canada, we are focusing our efforts on target geographic markets and desirable client segments.

Preferred partner in the U.S.

We view the U.S. as our second home market – there simply is no other developed market which provides the same combination of size, earnings potential, access to new entrants and connectivity to Canada. Our goal is to be the preferred partner to U.S. corporate, institutional and high net worth clients and their businesses, primarily through our

Capital Markets and Wealth Management businesses.

Our Capital Markets business derives half of its earnings from the U.S., and is a top 10 global investment bank. Our Wealth Management business is a leading global player, and the 7th largest brokerage firm in the U.S., where our brand, reputation and expertise are enabling us to continue to win new business and attract and retain top talent. We are acquiring new clients while strengthening and growing existing relationships by focusing on improving productivity and cross-selling.

The US\$5.5 billion acquisition of Los Angeles-based City National Corporation marks a major milestone in our U.S. strategy and complements our existing capital markets and wealth management presence, providing significant opportunities to deepen our relationships with high net worth and mid-market commercial clients.

Since City National serves high net worth clients located in major metropolitan areas, it is strongly positioned to benefit from the significant wealth creation taking place in those markets. We announced this transaction in January, closed it in November and will start reporting combined results beginning in the first fiscal quarter of 2016.

A focus on select global financial centres

Internationally, our aim is to be a leading financial services partner in select global financial centres in the U.K., Europe, Asia and the Caribbean.

With that in mind, in 2015, we continued to refocus a number of our international businesses on specific markets where we can be a leader. We've strengthened our retail Caribbean banking business by exiting non-core regions, and we've largely completed the realignment of our U.S. & International Wealth Management business, which will let us better serve our clients from our key operational hubs in Canada, the United States, the British Isles, and Asia.



See Dave McKay's video message to stakeholders: annualreports.rbc.com/ar2015/ceo.html

We are prudently building out our wealth management, asset management and capital markets capabilities in the U.K. and Europe. I'm encouraged by our ongoing progress in winning client mandates as it demonstrates our strengthening market position in the region.

We continued to extend our Global Asset Management business internationally and, today, roughly 30% of our institutional assets are from outside of Canada. In Capital Markets, we opened offices in Frankfurt and Paris, and expanded a number of our research teams. We've also seen benefits from selectively expanding our investment banking sector and geographic coverage to markets and industry sectors that we know well, and we are also extending our loan book where it makes sense to help drive new origination.

Investor & Treasury Services built on its reputation for leading client service and further enhanced its strong position among global custodians, thanks to robust levels of activity from new and existing clients.

Our employees drive our results

Our successes this year would not have been possible without the dedication and professionalism of our talented and highly engaged employees. Our teams put clients first, collaborate effectively and look for ways to continue to deliver an exceptional client experience and nurture client trust. They also continue to create pride throughout the organization by giving their time and expertise to have a positive impact on our communities.

We will continue to build an even better workplace by ensuring our people succeed in an environment of respect and inclusion where everyone has the opportunity to contribute and realize their potential.

Helping our communities prosper

The depth of our commitment to clients and to our employees is matched by our passionate belief in making a positive social and community impact. In 2015, we contributed more than \$100 million in donations, community investments, and sponsorships. However, we are giving much more than money in our efforts to help communities prosper. Over the course of the year, thousands of RBC employees, retirees, families, friends and community members donated their time to causes and initiatives that matter to them. This year's Blue Water Day was a great demonstration of our community commitment coming to life, as 25,000 employees in 26 countries rolled up their sleeves and completed 850 community makeovers, cleaning up shorelines, parks and streets.

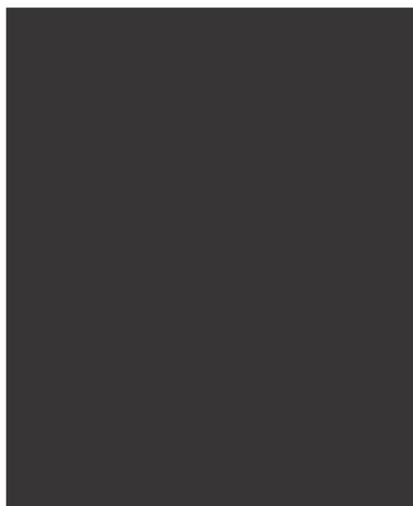
Thank you

I'd like to personally thank all of our clients who continue to trust us with their business. I also want to thank all of our employees, whose commitment and hard work helps clients thrive and contributes to our vision of being among the world's most trusted and successful financial institutions. And to you, our fellow shareholders, I would like to reiterate our commitment to continuing to deliver high-quality, sustainable earnings growth.



David McKay
President and Chief Executive Officer

Message from Katie Taylor



KATIE TAYLOR
Chair of the Board

Dear fellow shareholders,

This year your Board of Directors maintained its focus on delivering long-term shareholder value and positioning RBC for future growth. Record earnings, increased dividends and strategic expansion of our already strong U.S. presence are among the hallmarks of 2015.

RBC has the right strategy to drive growth and create value

Central to our role as directors is our responsibility to ensure that RBC has the right strategy, talent and risk management to succeed and deliver long-term value. Your Board actively engages with our outstanding management team to develop the strategic plans aimed at achieving our shared vision: to be among the world's most trusted and successful financial institutions. Aspects of enterprise and business segment strategy are discussed at every board meeting and we participate in an annual session focused on longer-term growth plans. We work closely with management on how best to enhance the Bank's strong capital position and create value by investing in organic growth and strategic acquisitions. This year the Board contributed to management's planning and deliberations in the acquisition of City National Corporation, a

premier U.S. private and commercial bank, to serve as a powerful expansion platform for long-term growth in the U.S.

Ensuring RBC has the depth of talent to implement strategy and top performers who will exhibit excellence in its execution is another priority of the Board. We actively assess management's bench strength, reviewing development plans for senior executives who possess the strengths most valuable to RBC.

In today's challenging market conditions and competitive technological environment, promoting strong risk conduct and embedding a risk management culture throughout RBC are key priorities. The Board carefully assesses whether management's plans appropriately balance strategic opportunities with risk discipline. We oversee the frameworks and processes designed to identify the principal risks to the businesses and the systems implemented to manage those risks. The Board is involved in determining the amount and type of risk that RBC will accept in the pursuit of business objectives, approving the Bank's risk appetite and monitoring risk profile to ensure plans and activities are prudently focused on generating long-term shareholder value.

The Board fosters a culture of integrity and good governance

We regard good governance as a business imperative, positively impacting corporate performance by establishing the structures and processes that drive RBC to meet strategic objectives and achieve long-term sustainability. To maximize our contribution, your Board and its committees are committed to adapting best governance practices to the needs of the organization. This year we won *Best Overall Corporate Governance* in the Excellence in Governance Awards in recognition of the integration of high governance standards throughout RBC.

Your Board is also proud of RBC's contributions to the communities it serves. We understand that a good company is simultaneously purpose-driven,

principles-led and performance-focused. The strong reputation and brand of RBC are founded on a business approach in which we work to make a positive impact on society, the environment and the economy. In setting the tone at the top, the Board nurtures the strong corporate values that are entrenched in the culture of RBC, and reinforces the ethical principles on which our reputation and success are founded.

The Board is committed to the ongoing success of RBC and creating long-term value for our shareholders and other stakeholders

The Board places strong emphasis upon selection of director candidates, assessing the Board's existing strengths against the evolving needs of the Bank. An important element of this is ensuring that a diversity of viewpoints, backgrounds and experience are present at the Board. In addition to Toos Daruvala, a Director and Senior Partner with McKinsey & Company who joined the Board earlier in 2015, we were pleased this year to welcome Thierry Vandal, the recently retired President and Chief Executive Officer of Hydro-Québec, who brings to the Board extensive experience in the energy industry, regulatory affairs and cybersecurity.

The Board of Directors is confident that RBC has the right people in place to build on its success. The Board extends its thanks to Dave McKay and his leadership team for their collective focus on delivering an exceptional client experience, and on helping our clients thrive and communities prosper. And as always, a special thank you to all of RBC's employees, whose passion and commitment to our clients continues to drive our success.



Kathleen Taylor
Chair of the Board



For more information on our governance policies, please visit: rbc.com/governance/index.html

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) is provided to enable a reader to assess our results of operations and financial condition for the fiscal year ended October 31, 2015, compared to the preceding two fiscal years. This MD&A should be read in conjunction with our 2015 Annual Consolidated Financial Statements and related notes and is dated December 1, 2015. All amounts are in Canadian dollars, unless otherwise specified, and are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise noted.

Additional information about us, including our 2015 Annual Information Form, is available free of charge on our website at rbc.com/investorrelations, on the Canadian Securities Administrators' website at sedar.com and on the EDGAR section of the United States (U.S.) Securities and Exchange Commission's (SEC) website at sec.gov.

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See our Glossary for definitions of terms used throughout this document

Caution regarding forward-looking statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. We may make forward-looking statements in this 2015 Annual Report, in other filings with Canadian regulators or the SEC, in other reports to shareholders and in other communications. Forward-looking statements in this document include, but are not limited to, statements relating to our financial performance objectives, vision and strategic goals, the economic and market review and outlook for Canadian, U.S., European and global economies, the regulatory environment in which we operate, the outlook and priorities for each of our business segments, and the risk environment including our liquidity and funding risk. The forward-looking information contained in this document is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented and our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive and systemic risks and other risks discussed in the Risk management and Overview of other risks sections; weak oil and gas prices; the high levels of Canadian household debt; exposure to more volatile sectors; cybersecurity; anti-money laundering; the business and economic conditions in Canada, the U.S. and certain other countries in which we operate; the effects of changes in government fiscal, monetary and other policies; tax risk and transparency; and environmental risk.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Material economic assumptions underlying the forward-looking statements contained in this 2015 Annual Report are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the Risk management and Overview of other risks sections.

Information contained in or otherwise accessible through the websites mentioned does not form part of this report. All references in this report to websites are inactive textual references and are for your information only.

Selected financial and other highlights

Table 1

(Millions of Canadian dollars, except per share, number of and percentage amounts)	2015	2014	2013	2015 vs. 2014 Increase (decrease)	
Total revenue	\$ 35,321	\$ 34,108	\$ 30,682	\$ 1,213	3.6%
Provision for credit losses (PCL)	1,097	1,164	1,237	(67)	(5.8)%
Insurance policyholder benefits, claims and acquisition expense (PBCAE)	2,963	3,573	2,784	(610)	(17.1)%
Non-interest expense	18,638	17,661	16,214	977	5.5%
Net income before income taxes	12,623	11,710	10,447	913	7.8%
Net income	\$ 10,026	\$ 9,004	\$ 8,342	\$ 1,022	11.4%
Segments – net income					
Personal & Commercial Banking	\$ 5,006	\$ 4,475	\$ 4,380	\$ 531	11.9%
Wealth Management	1,041	1,083	886	(42)	(3.9)%
Insurance	706	781	595	(75)	(9.6)%
Investor & Treasury Services	556	441	339	115	26.1%
Capital Markets	2,319	2,055	1,700	264	12.8%
Corporate Support	398	169	442	229	135.5%
Net income	\$ 10,026	\$ 9,004	\$ 8,342	\$ 1,022	11.4%
Selected information					
Earnings per share (EPS) – basic	\$ 6.75	\$ 6.03	\$ 5.53	\$ 0.72	11.9%
– diluted	6.73	6.00	5.49	0.73	12.2%
Return on common equity (ROE) (1), (2)	18.6%	19.0%	19.7%	n.m.	(40) bps
PCL on impaired loans as a % of average net loans and acceptances	0.24%	0.27%	0.31%	n.m.	(3) bps
Gross impaired loans (GIL) as a % of loans and acceptances	0.47%	0.44%	0.52%	n.m.	3 bps
Liquidity coverage ratio (3)	127%	n.a.	n.a.	n.a.	n.a.
Capital ratios, Leverage ratio and multiples (4)					
Common Equity Tier 1 (CET1) ratio (4)	10.6%	9.9%	9.6%	n.m.	70 bps
Tier 1 capital ratio (4)	12.2%	11.4%	11.7%	n.m.	80 bps
Total capital ratio (4)	14.0%	13.4%	14.0%	n.m.	60 bps
Assets-to-capital multiple (4)	n.a.	17.0X	16.6X	n.a.	n.a.
Leverage ratio (4)	4.3%	n.a.	n.a.	n.a.	n.a.
Selected balance sheet and other information					
Total assets	\$ 1,074,208	\$ 940,550	\$ 859,745	\$ 133,658	14.2%
Securities	215,508	199,148	182,710	16,360	8.2%
Loans (net of allowance for loan losses)	472,223	435,229	408,850	36,994	8.5%
Derivative related assets	105,626	87,402	74,822	18,224	20.9%
Deposits	697,227	614,100	563,079	83,127	13.5%
Common equity	57,048	48,615	43,064	8,433	17.3%
Average common equity (1)	52,300	45,700	40,600	6,600	14.4%
Total capital risk-weighted assets	413,957	372,050	318,981	41,907	11.3%
Assets under management (AUM) (5)	498,400	457,000	391,100	41,400	9.1%
Assets under administration (AUA) (5), (6)	4,609,100	4,647,000	4,050,900	(37,900)	(0.8)%
Common share information					
Shares outstanding (000s) – average basic	1,442,935	1,442,553	1,443,735	382	0.0%
– average diluted	1,449,509	1,452,003	1,466,529	(2,494)	(0.2)%
– end of period	1,443,423	1,442,233	1,441,056	1,190	0.1%
Dividends declared per common share	\$ 3.08	\$ 2.84	\$ 2.53	\$ 0.24	8.5%
Dividend yield (7)	4.1%	3.8%	4.0%	n.m.	30 bps
Common share price (RY on TSX) (8)	\$ 74.77	\$ 80.01	\$ 70.02	\$ (5.24)	(6.5)%
Market capitalization (TSX) (8)	107,925	115,393	100,903	(7,468)	(6.5)%
Business information (number of)					
Employees (full-time equivalent) (FTE)	72,839	73,498	74,247	(659)	(0.9)%
Bank branches	1,355	1,366	1,372	(11)	(0.8)%
Automated teller machines (ATMs)	4,816	4,929	4,973	(113)	(2.3)%
Period average US\$ equivalent of C\$1.00 (9)	\$ 0.797	\$ 0.914	\$ 0.977	\$ (0.117)	(12.8)%
Period-end US\$ equivalent of C\$1.00	\$ 0.765	\$ 0.887	\$ 0.959	\$ (0.122)	(13.8)%

- (1) Average amounts are calculated using methods intended to approximate the average of the daily balances for the period. This includes ROE and Average common equity. For further details, refer to the Key performance and non-GAAP measures section.
- (2) These measures may not have a standardized meaning under generally accepted accounting principles (GAAP) and may not be comparable to similar measures disclosed by other financial institutions. For further details, refer to the Key performance and non-GAAP measures section.
- (3) Liquidity coverage ratio (LCR) is a new regulatory measure under the Basel III Framework, and is calculated using the Liquidity Adequacy Requirements (LAR) guideline. Effective in the second quarter of 2015, LCR was adopted prospectively, and is not applicable (n.a.) for prior periods. For further details, refer to the Liquidity and funding risk section.
- (4) Capital and Leverage ratios presented above are on an “all-in” basis. The Leverage ratio is a regulatory measure under the Basel III framework effective the first quarter of 2015. The Leverage ratio has replaced the Assets-to-capital multiple (ACM), and is n.a. for prior periods. The ACM is presented on a transitional basis for prior periods. For further details, refer to the Capital management section.
- (5) Represents period-end spot balances.
- (6) AUA includes \$21.0 billion and \$8.0 billion (2014 – \$23.2 billion and \$8.0 billion; 2013 – \$25.4 billion and \$7.2 billion) of securitized residential mortgages and credit card loans, respectively.
- (7) Defined as dividends per common share divided by the average of the high and low share price in the relevant period.
- (8) Based on TSX closing market price at period-end.
- (9) Average amounts are calculated using month-end spot rates for the period.
- n.m. not meaningful

About Royal Bank of Canada

Royal Bank of Canada (RY on TSX and NYSE) is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. We are one of North America's leading diversified financial services companies, and provide personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. We employ approximately 78,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 37 other countries. For more information, please visit rbc.com.

Our business segments are described below.

Personal & Commercial Banking operates in Canada, the Caribbean and the U.S., and comprises our personal and business banking operations, as well as our auto financing and retail investment businesses.

Wealth Management serves affluent, high net worth and ultra-high net worth clients from our offices in key financial centres mainly in Canada, the U.S., the U.K., Channel Islands, and Asia with a comprehensive suite of investment, trust, banking, credit and other wealth management solutions. We also provide asset management products and services directly to institutional and individual clients through our distribution channels and third-party distributors.

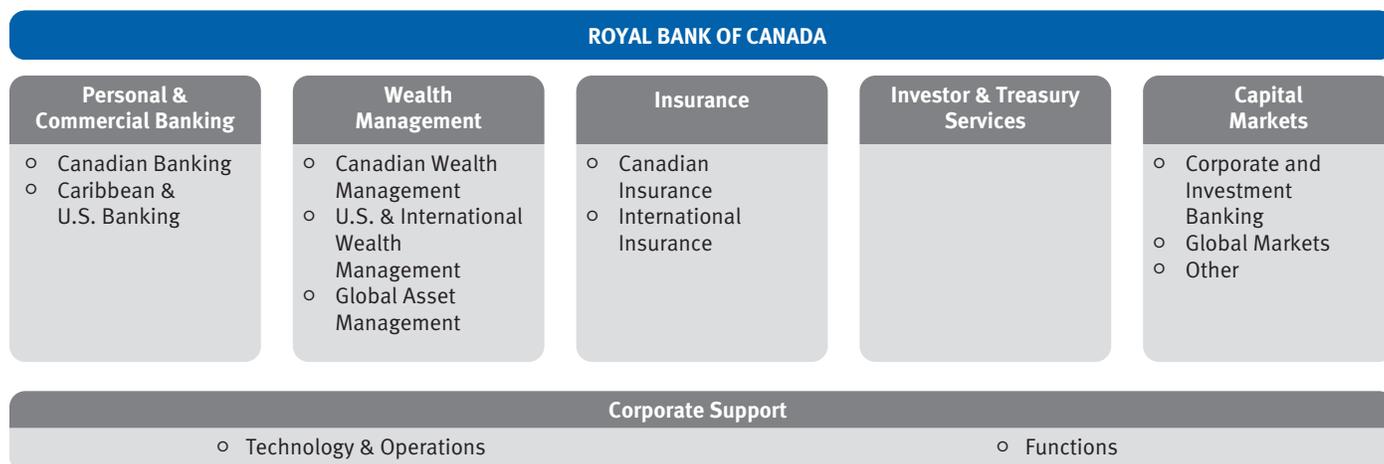
Insurance provides a wide range of life, health, home, auto, travel, wealth, group and reinsurance products and solutions. In Canada, we offer insurance products and services through our proprietary distribution channels, comprised of the field sales force which includes retail insurance branches, our field sales representatives, advice centres and online, as well as through independent insurance advisors and affinity relationships. Outside Canada, we operate in reinsurance markets globally offering life, accident and annuity reinsurance products.

Investor & Treasury Services serves the needs of institutional investing clients by providing asset servicing, custodial, advisory, financing and other services to safeguard assets, maximize liquidity and manage risk in multiple jurisdictions around the world. We also provide short-term funding and liquidity management for RBC.

Capital Markets provides public and private companies, institutional investors, governments and central banks with a wide range of products and services. In North America, we offer a full suite of products and services which include corporate and investment banking, equity and debt origination and distribution, and structuring and trading. Outside North America, we offer a diversified set of capabilities in our key sectors of expertise such as energy, mining and infrastructure, and we have expanded into industrial, consumer and health care in Europe.

Our business segments are supported by Corporate Support, which consists of Technology & Operations and Functions. Technology & Operations provides the technological and operational foundation required to effectively deliver products and services to our clients, while Functions includes our finance, human resources, risk management, internal audit and other functional groups.

The following chart presents our business segments and respective lines of business:



Vision and strategic goals

Our business strategies and actions are guided by our vision, **"To be among the world's most trusted and successful financial institutions."** Our three strategic goals are:

- In Canada, to be the undisputed leader in financial services;
- In the U.S., to be the preferred partner to corporate, institutional and high net worth clients and their businesses; and
- In select global financial centres, to be a leading financial services partner valued for our expertise.

For our progress in 2015 against our business strategies and strategic goals, refer to the Business segment results section.

Economic and market review and outlook – data as at December 1, 2015

The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. If this information or these assumptions are not accurate, actual economic outcomes may differ materially from the outlook presented in this section. For details on risk factors from general business and economic conditions that may affect our business and financial results, refer to the Overview of other risks section.

Canada

The Canadian economy is expected to grow at an estimated rate of 1.2% during calendar 2015, which is below our estimate of 2.7% as at December 2, 2014 and slightly above our estimate of 1.0% as at August 25, 2015. The first half of the calendar year was impacted by weak investment by the energy sector and slow export activity. Energy production started to recover in the second half of the calendar year, while an increase in manufacturing output combined with stronger U.S. economic growth and a weak Canadian dollar drove exports higher. Housing market activity remained solid through most of calendar 2015, despite a slowdown in oil industry-sensitive markets. Labour markets remained

strong during most of the calendar year, although the unemployment rate rose slightly to 7.0% in October 2015 as growth in the labour force outpaced the increase in employment. The Canadian dollar declined in value against the U.S. dollar for most of the calendar year, and reached an 11-year low in September 2015, mostly due to market expectations of a further divergence in monetary policy between the two countries and given the sustained downturn in oil prices. The Bank of Canada (BoC) reduced its overnight rate twice during the calendar year, by 25 bps each time in January 2015 and July 2015, to 0.50%, as lower growth than expected resulted in an increase in excess capacity and created downward risks to the inflation outlook.

In calendar 2016, we expect the Canadian economy to grow at an estimated rate of 2.2%, driven by firm consumer spending and solid net exports. We expect housing market activity to soften slightly in calendar 2016, as increased pressure on affordability in some key markets softens demand. As the pace of economic growth picks up, we expect the core inflation rate to hold above the BoC's target of 2.0%, leading the BoC to reverse the interest rate cuts made in 2015 beginning in the fourth calendar quarter of 2016.

U.S.

The U.S. economy is expected to grow at an estimated rate of 2.5% in calendar 2015, which is below our estimate of 3.3% as at December 2, 2014, and slightly above our estimate of 2.4% as at August 25, 2015. Strong consumer spending, solid housing market activity and modest business investment during the calendar year more than offset the dampening impact of poor weather conditions and a ports strike in the first calendar quarter. Labour markets generally improved during the year, with the unemployment rate at 5.0% in October 2015, which is within the range considered full employment by the Federal Reserve (Fed). Despite this improvement in the labour markets and solid consumer spending, the Fed cited concerns about global developments as well as the low level of inflation at its September 2015 meeting, and maintained its cautious policy stance by holding its funds target range at historically low levels.

In calendar 2016, we expect the U.S. economy to grow at an estimated rate of 2.8%, reflecting continuing firm consumer spending and housing market activity, as well as stronger business investment. Given that global financial markets displayed greater stability in the beginning of the fourth calendar quarter of 2015 compared to the previous calendar quarter, and the U.S. labour market continued to firm, we expect the Fed to begin to raise its key interest rate from the current funds target range of 0.0% to 0.25%, in December 2015.

Europe

The Euro area economy is expected to grow at an estimated rate of 1.5% in calendar 2015, which is above both our estimates of 1.0% as at December 2, 2014 and 1.4% as at August 25, 2015, largely due to the effects of the stimulative monetary policy adopted by the European Central Bank (ECB), and lower oil prices leading to higher consumer spending. The unemployment rate improved to its lowest level since January 2012 and was 10.8% in September 2015 compared to 11.1% in June 2015. The Euro area inflation rate remained below the ECB's target levels for most of the calendar year, and was 0.0% in October 2015, as the decline in energy prices offset increases in price levels in other sectors. The ECB launched its monthly asset purchase program, the Public Sector Purchase Program (PSPP), in March 2015 and committed to monthly purchases of €60 billion of a combination of euro-denominated public sector securities, asset-backed securities, and covered bonds.

In calendar 2016, we expect the Euro area economy to grow at an estimated rate of 1.7%, as the economy benefits from the stimulus undertaken by the ECB, a weaker Euro, and lower oil prices. As a result of increased concerns about headwinds from the global economy and to negate a modest tightening in financial conditions, we expect the ECB to further reduce its deposit rate to (0.4)% from (0.2)%, and to extend the PSPP past its initial September 2016 commitment.

Financial markets

Equity markets in Canada and the U.S. remained volatile throughout our fiscal year, largely related to the effect of low global oil prices, diverging monetary policies amongst global central banks, and a decline in Chinese equity markets. Yields on both Canadian and U.S. long-term government bonds fluctuated during the fiscal year. Credit spreads on corporate bonds in North America generally widened through the fiscal year, before tightening slightly at the end of October 2015. Crude oil prices generally remained low throughout the fiscal year, and reached a 10-year low in August 2015. Prices for non-precious metals declined for most of the fiscal year due to a combination of strong supply and weak demand from emerging economies including China.

Regulatory environment

We continue to monitor and prepare for regulatory developments in a manner that seeks to ensure compliance with new requirements while mitigating any adverse business or economic impacts. Such impacts could result from new or amended regulations and the expectations of those who enforce them. Significant developments include continuing changes to global and domestic standards for capital and liquidity, over-the-counter (OTC) derivatives reform, initiatives to enhance requirements for institutions deemed systemically important to the financial sector, and changes to resolution regimes addressing government bail-in and total loss-absorbing capacity. We also continue to implement reforms enacted under the U.S. *Dodd-Frank Wall Street Reform and Consumer Protection Act* including those related to the Volcker Rule and the Fed's enhanced prudential standards for Bank Holding Companies and Foreign Banking Organizations.

For a discussion on risk factors resulting from these and other regulatory developments which may affect our business and financial results, refer to the Risk management – Top and emerging risks section. For further details on our framework and activities to manage risks, refer to the Risk management and Capital management sections.

Defining and measuring success through Total Shareholder Returns

Our focus is to maximize total shareholder returns (TSR) through the achievement of top half performance compared to our global peer group over the medium term (3-5 years), which we believe reflects a longer-term view of strong and consistent financial performance.

Maximizing TSR is aligned with our three strategic goals discussed earlier and we believe represents the most appropriate measure of shareholder value creation. TSR is a concept used to compare the performance of our common shares over a period of time, reflecting share price appreciation and dividends paid to common shareholders. The absolute size of the TSR will vary depending on market conditions, and the relative position reflects the market's perception of our overall performance relative to our peers over a period of time.

Financial performance objectives are used to measure progress against our medium-term TSR objectives. We review and revise these financial performance objectives as economic, market and regulatory environments change. By focusing on our medium-term objectives in our decision-making, we believe we will be well positioned to provide sustainable earnings growth and solid returns to our common shareholders.

We achieved all our performance objectives in 2015. The following table provides a summary of our performance against our financial performance objectives in 2015:

2015 Financial performance compared to our medium-term objectives		Table 2
	2015 results	Achieved
Diluted EPS growth of 7% +	12.2%	✓
ROE of 18% +	18.6%	✓
Strong capital ratios (CET1) (1)	10.6%	✓
Dividend payout ratio 40% – 50%	46%	✓

(1) For further details on the CET1 ratio, refer to the Capital management section.

For 2016, our medium-term financial performance objectives will remain unchanged.

We compare our TSR to that of a global peer group approved by our Board of Directors. The global peer group remains unchanged from last year and consists of the following 10 financial institutions:

- Canadian financial institutions: Bank of Montreal, Canadian Imperial Bank of Commerce, Manulife Financial Corporation, National Bank of Canada, Power Financial Corporation, The Bank of Nova Scotia, and the Toronto-Dominion Bank.
- U.S. banks: JPMorgan Chase & Co. and Wells Fargo & Company.
- International banks: Westpac Banking Corporation.

Medium-term objectives – three and five year TSR vs. peer group average			Table 3
	Three year TSR (1)	Five year TSR (1)	
Royal Bank of Canada	14%	11%	
	Top half	Mid-point	
Peer group average (excluding RBC)	15%	12%	

(1) The three and the five year average annual TSR are calculated based on our common share price appreciation as per the TSX closing market price plus reinvested dividends for the period October 31, 2012 to October 31, 2015 and October 31, 2010 to October 31, 2015 respectively.

Common share and dividend information		Table 4			
For the year ended October 31	2015	2014	2013	2012	2011
Common share price (RY on TSX) – close, end of period	\$ 74.77	\$ 80.01	\$ 70.02	\$ 56.94	\$ 48.62
Dividends paid per share	3.04	2.76	2.46	2.22	2.04
Increase (decrease) in share price	(6.5)%	14.3%	23.0%	17.1%	(10.6)%
Total shareholder return	(3.0)%	19.0%	28.0%	22.0%	(6.7)%

Key corporate events of 2015

City National Corporation

On November 2, 2015, we completed the acquisition of City National Corporation (City National), the holding company of City National Bank. Total consideration of US\$5.5 billion was paid with US\$2.6 billion in cash and 41.6 million RBC common shares. In addition, we issued RBC first preferred shares with a par value of US\$275 million in exchange for all outstanding shares of City National preferred stock. For further details, refer to Notes 11 and 36 of our 2015 Annual Consolidated Financial Statements.

Royal Bank of Canada (Suisse) SA

On August 28, 2015, we completed the sale of Royal Bank of Canada (Suisse) SA, (RBC Suisse), to SYZ Group. As a result of the transaction, we recorded a loss on disposal of \$7 million (before- and after-tax), including deal and transaction costs, in Non-interest expense – Other. For further details, refer to Note 11 of our 2015 Annual Consolidated Financial Statements.

RBC Royal Bank (Suriname) N.V.

On July 31, 2015, we completed the sale of RBC Royal Bank (Suriname) N.V. (RBC Suriname). As a result of the transaction, we recorded a total loss on disposal of \$19 million (before- and after-tax), including a loss of \$23 million in the second quarter in Non-interest expense – Other, and a gain of \$4 million in the third quarter including foreign currency translation gains reclassified from Other components of equity. For further details, refer to Note 11 of our 2015 Annual Consolidated Financial Statements.

Certain Caribbean Wealth Management businesses

Subsequent to the end of our fiscal year, we have entered into a purchase and sale agreement on November 4, 2015, to sell our trust, custody and fund administration businesses in the Caribbean to SMP Partners Group, subject to customary closing conditions and regulatory approvals. The transaction is expected to close in early 2016. For further details, refer to Note 36 of our 2015 Annual Consolidated Financial Statements.

2015 vs. 2014

Net income of \$10,026 million was up \$1,022 million or 11% from a year ago. Diluted earnings per share (EPS) of \$6.73 was up \$0.73 and return on common equity (ROE) of 18.6% was down 40 bps from 19.0% last year. Our Common Equity Tier 1 (CET1) ratio was 10.6%.

Our results were driven by higher earnings in Personal & Commercial Banking, Capital Markets and Investor & Treasury Services, partially offset by lower earnings in Insurance and Wealth Management. Our results were also favourably impacted by a lower effective tax rate reflecting favourable income tax adjustments, the positive impact of foreign exchange translation, and a gain of \$108 million (before- and after-tax) from the wind-up of a U.S.-based funding subsidiary that resulted in the release of foreign currency translation adjustment (CTA) which was recorded in Corporate Support. Prior year results included a loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean.

Personal & Commercial Banking earnings mainly reflected solid volume growth across most businesses in Canada, strong fee-based revenue growth, and higher earnings in the Caribbean, partially offset by higher costs to support business growth and lower spreads. Capital Markets earnings were driven by growth in our global markets businesses mainly reflecting increased client activity, continued solid performance in our corporate and investment banking businesses, and the positive impact of foreign exchange translation, partially offset by lower results in certain legacy portfolios. Investor & Treasury Services earnings mainly reflected higher earnings due to increased client activity in our foreign exchange forwards business and higher foreign exchange transaction volumes, an additional month of earnings in Investor Services of \$42 million (\$28 million after-tax), increased custodial fees, and higher earnings from growth in client deposits. These factors were partially offset by lower funding and liquidity results. Wealth Management earnings decreased primarily reflecting higher costs in support of business growth in our Global Asset Management and Canadian Wealth Management businesses, restructuring costs of \$122 million (\$90 million after-tax) largely related to our U.S. & International Wealth Management business, lower transaction volumes, and higher provision for credit losses (PCL), partly offset by higher earnings from growth in average fee-based client assets. Insurance results decreased mainly due to a change in Canadian tax legislation impacting certain foreign affiliates which became effective November 1, 2014, a lower level of favourable actuarial adjustments, and higher net claims costs, which were partially offset by higher earnings from new U.K. annuity contracts, and a favourable impact of investment-related activities on the Canadian life business.

For further details on our business segment results and CET1 ratio, refer to the Business segment results and Capital management sections, respectively.

2014 vs. 2013

In 2014, net income of \$9,004 million was up \$662 million or 8% from 2013. Diluted EPS of \$6.00 was up \$0.51 and ROE of 19.0% was down 70 bps. Our CET1 ratio was 9.9%.

Our results were driven by higher earnings in all business segments, including the positive impact of foreign exchange translation. In addition, our results in 2013 included net favourable income tax adjustments in Corporate Support.

Capital Markets earnings reflected strong equity markets, our continued focus on origination and lending, and increased activity from client-focused strategies, partially offset by higher litigation provisions and related legal costs. Wealth Management results reflected growth in average fee-based client assets, partially offset by higher costs in support of business growth. Our insurance results reflected lower net claims costs, business growth in our European life and U.K. annuity products and favourable actuarial adjustments, partly offset by higher costs in support of business growth. Insurance results in 2013 included a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies. Personal & Commercial Banking earnings reflected solid volume growth across most of our Canadian Banking businesses, partially offset by higher costs in support of business growth, and a loss of \$100 million (before- and after-tax) related to the sale of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively, RBC Jamaica).

Impact of foreign currency translation

Our foreign currency-denominated results are impacted by exchange rate fluctuations. Revenue, PCL, insurance policyholder benefits, claims and acquisition expense (PBCAE), non-interest expense and net income denominated in foreign currency are translated at the average rate of exchange for the period.

The following table reflects the estimated impact of foreign exchange translation on key income statement items:

(Millions of Canadian dollars, except per share amounts)	2015 vs. 2014	2014 vs. 2013
<i>Increase (decrease):</i>		
Total revenue	\$ 1,012	\$ 818
PCL	11	9
PBCAE	75	75
Non-interest expense	652	510
Income taxes	113	103
Net income	161	121
<i>Impact on EPS:</i>		
Basic	\$ 0.11	\$ 0.08
Diluted	0.11	0.08

The relevant average exchange rates that impact our business are shown in the following table:

(Average foreign currency equivalent of C\$1.00) (1)	2015	2014	2013
U.S. dollar	0.797	0.914	0.977
British pound	0.519	0.551	0.626
Euro	0.707	0.680	0.740

(1) Average amounts are calculated using month-end spot rates for the period.

Total revenue

(Millions of Canadian dollars, except percentage amounts)	2015	2014	2013
Interest income	\$ 22,729	\$ 22,019	\$ 21,148
Interest expense	7,958	7,903	7,899
Net interest income	\$ 14,771	\$ 14,116	\$ 13,249
Net interest margin (on average earning assets) (1)	1.71%	1.86%	1.88%
Investments (2)	\$ 8,095	\$ 7,355	\$ 6,408
Insurance (3)	4,436	4,957	3,911
Trading (see additional trading information section)	552	742	867
Banking (4)	4,388	4,090	3,909
Underwriting and other advisory	1,885	1,809	1,569
Other (5)	1,194	1,039	769
Non-interest income	\$ 20,550	\$ 19,992	\$ 17,433
Total revenue	\$ 35,321	\$ 34,108	\$ 30,682

(1) Net interest margin (on average earning assets) is calculated as net interest income divided by average earning assets.

(2) Includes securities brokerage commissions, investment management and custodial fees, and mutual fund revenue.

(3) Includes premiums and investment and fee income. Investment income includes the change in fair value of investments backing policyholder liabilities and is largely offset in PBCAE.

(4) Includes service charges, foreign exchange revenue other than trading, card service revenue and credit fees.

(5) Includes other non-interest income, net gain (loss) on available-for-sale (AFS) securities and share of profit in associates.

2015 vs. 2014

Total revenue increased \$1,213 million or 4% from last year, which included the positive impact of foreign exchange translation of \$1,012 million. The negative change in fair value of investments backing our policyholders liabilities, which was largely offset in PBCAE, decreased total revenue by \$463 million.

Net interest income increased \$655 million or 5%, mainly due to solid volume growth across most businesses in Canadian Banking, and higher trading-related net interest income and solid lending growth in Capital Markets. The positive impact of foreign exchange translation also contributed to the increase. These factors were partially offset by lower spreads.

Net interest margin was down 15 bps compared to last year, largely due to the low interest rate environment, and competitive pressures.

Investments revenue increased \$740 million or 10%, mainly due to growth in average fee-based client assets resulting from capital appreciation and net sales, and the positive impact of foreign exchange translation. Higher securities brokerage commissions in Capital Markets, and higher fee-based revenue primarily attributable to strong mutual funds asset growth resulting in higher mutual fund distribution fees in Canadian Banking also contributed to the increase. These factors were partly offset by lower transaction volumes in Wealth Management.

Insurance revenue decreased \$521 million or 11%, mainly due to the change in fair value of investments backing our policyholder liabilities resulting from an increase in long-term interest rates, and a reduction of revenue related to our retrocession contracts, both of which were largely offset in PBCAE. These factors were partially offset by business growth in Canadian and International insurance, and the positive impact of foreign exchange translation.

Banking revenue increased \$298 million or 7%, mainly due to higher credit card balances and transaction volumes, and improved spreads. Higher service fee revenue also contributed to the increase.

Underwriting and other advisory revenue increased \$76 million or 4%, primarily due to higher debt origination reflecting increased client issuance activity, and strong growth in M&A activity reflecting increased mandates in the U.S. and Europe. These factors were partially offset by lower equity origination reflecting decreased client activity as compared to the strong levels last year.

Other revenue increased \$155 million or 15%, mainly due to a gain of \$108 million (before- and after-tax) from the wind-up of a U.S.-based funding subsidiary that resulted in the release of CTA, which was recorded in Corporate Support.

2014 vs. 2013

Total revenue increased \$3,426 million or 11% as compared to 2013, primarily due to the positive change in fair value of investments backing our policyholder liabilities of \$930 million resulting from a decrease in long-term interest rates, largely offset in PBCAE, the positive impact of foreign exchange translation, higher revenue from growth in average fee-based client assets in Wealth Management resulting from capital appreciation and strong net sales, solid volume growth of 5% across most of our businesses in Canadian Banking, and higher trading-related net interest income in Capital Markets. Strong growth in equity origination reflecting increased issuance activity, higher equity trading revenue due to strong market conditions, and higher lending activity in Capital Markets also contributed to the increase. These factors were partially offset by the unfavourable impact of the implementation of funding valuation adjustments.

Additional trading information

Table 8

(Millions of Canadian dollars)	2015	2014	2013
Total trading revenue (1)			
Net interest income	\$ 2,398	\$ 2,029	\$ 1,661
Non-interest income	552	742	867
Total trading revenue	\$ 2,950	\$ 2,771	\$ 2,528
Total trading revenue by product			
Interest rate and credit	\$ 1,400	\$ 1,560	\$ 1,611
Equities	1,045	814	594
Foreign exchange and commodities	505	397	323
Total trading revenue	\$ 2,950	\$ 2,771	\$ 2,528
Trading revenue (teb) by product			
Interest rate and credit	\$ 1,400	\$ 1,560	\$ 1,611
Equities	1,614	1,305	972
Foreign exchange and commodities	504	397	323
Total trading revenue (teb)	\$ 3,518	\$ 3,262	\$ 2,906
Trading revenue (teb) by product – Capital Markets			
Interest rate and credit	\$ 1,238	\$ 1,293	\$ 1,350
Equities	1,590	1,244	942
Foreign exchange and commodities	376	333	286
Total Capital Markets trading revenue (teb)	\$ 3,204	\$ 2,870	\$ 2,578

(1) Includes a gain of \$40 million (2014 – \$105 million loss; 2013 – nil) related to a funding valuation adjustment on uncollateralized OTC derivatives.

2015 vs. 2014

Total trading revenue of \$2,950 million, which comprises trading-related revenue recorded in Net interest income and Non-interest income, was up \$179 million, or 6% including the positive impact of foreign exchange translation, mainly due to higher equities trading revenue reflecting increased client activity primarily in the first half of the year. This factor was partially offset by lower revenue in certain legacy portfolios including the exit from certain proprietary trading strategies last year to comply with the Volcker Rule, and lower fixed income trading revenue reflecting challenging market conditions in the second half of the year. In addition, trading revenue in the prior year was unfavourably impacted by the implementation of funding valuation adjustments.

2014 vs. 2013

Total trading revenue of \$2,771 million, which comprises trading-related revenue recorded in Net interest income and Non-interest income, was up \$243 million, or 10% as compared to 2013, mainly due to higher equity trading revenue reflecting strong market conditions and higher commodities trading revenue. These factors were partially offset by lower fixed income trading revenue largely driven by the unfavourable impact of the implementation of funding valuation adjustments, and the exit from certain proprietary trading strategies to comply with the Volcker Rule.

Provision for credit losses

2015 vs. 2014

Total PCL decreased \$67 million or 6% from a year ago, mainly due to lower PCL in Personal & Commercial Banking, partially offset by higher PCL in Capital Markets and Wealth Management.

2014 vs. 2013

Total PCL decreased \$73 million or 6% as compared to 2013, mainly due to lower provisions in Capital Markets and Wealth Management, partially offset by higher provisions in Personal & Commercial Banking, primarily in Caribbean Banking.

For further details on PCL, refer to the Credit quality performance section.

Insurance policyholder benefits, claims and acquisition expense

2015 vs. 2014

PBCAE decreased \$610 million or 17% from a year ago, mainly due to a reduction of PBCAE related to our retrocession contracts, and the change in fair value of investments backing our policyholder liabilities resulting from the change in long-term interest rates, both of which were largely offset in revenue. These factors were partially offset by business growth in Canadian and International insurance, a lower level of favourable actuarial adjustments in the current year reflecting management actions and assumption changes, and an increase due to the impact of foreign exchange translation.

2014 vs. 2013

PBCAE increased \$789 million or 28% from the prior year, mainly due to the change in fair value of investments backing our policyholder liabilities, which was largely offset in revenue, and the impact of foreign exchange translation. These factors were partially offset by lower net claims costs. In addition, our PBCAE in 2013 included the unfavourable impact of the charge of \$160 million related to new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, and a favourable impact from interest and asset-related activities on the Canadian life business.

Non-interest expense

Table 9

(Millions of Canadian dollars, except percentage amounts)	2015	2014	2013
Salaries	\$ 5,197	\$ 4,834	\$ 4,604
Variable compensation	4,533	4,388	3,924
Benefits and retention compensation	1,607	1,561	1,464
Share-based compensation	246	248	256
Human resources	\$ 11,583	\$ 11,031	\$ 10,248
Equipment	1,277	1,147	1,081
Occupancy	1,410	1,330	1,235
Communications (1)	888	847	796
Professional fees	932	763	753
Amortization of other intangibles	712	666	566
Other (1)	1,836	1,877	1,535
Non-interest expense	\$ 18,638	\$ 17,661	\$ 16,214
Efficiency ratio (2)	52.8%	51.8%	52.8%

(1) Amounts have been revised from those previously presented.

(2) Efficiency ratio is calculated as non-interest expense divided by total revenue.

2015 vs. 2014

Non-interest expense increased \$977 million or 6% mainly reflecting an increase due to the impact of foreign exchange translation of \$652 million and higher costs in support of business growth. Restructuring costs of \$122 million (\$90 million after-tax) largely related to our U.S. & International Wealth Management business also contributed to the increase. These factors were partially offset by lower litigation provisions and related legal costs in Capital Markets, and continuing benefits from our efficiency management activities. The prior year included the loss of \$100 million related to the sale of RBC Jamaica and a provision of \$40 million related to post-employment benefits and restructuring charges in the Caribbean.

Our efficiency ratio of 52.8% increased 100 bps from 51.8% last year mainly due to the change in fair value of investments backing our policyholder liabilities, and higher costs in support of business growth, partially offset by continuing benefits from our efficiency management activities.

2014 vs. 2013

Non-interest expense increased \$1,447 million or 9%, primarily due to the impact of foreign exchange translation of \$510 million, higher costs in support of business growth, and higher variable compensation driven by higher revenue in Wealth Management and higher results in Capital Markets. Increased litigation provisions and related legal costs in Capital Markets, and the loss of \$100 million related to the sale of RBC Jamaica also contributed to the increase. These factors were partly offset by continuing benefits from our efficiency management activities.

Our efficiency ratio of 51.8% decreased 100 bps from 52.8% in 2013, mainly due to continuing benefits from our efficiency management activities.

Income and other taxes

Table 10

(Millions of Canadian dollars, except percentage amounts)	2015	2014	2013
Income taxes	\$ 2,597	\$ 2,706	\$ 2,105
Other taxes			
Goods and services sales taxes	\$ 426	\$ 395	\$ 370
Payroll taxes	577	529	497
Capital taxes	100	86	85
Property taxes	121	106	119
Insurance premium taxes	50	51	50
Business taxes	59	8	25
	\$ 1,333	\$ 1,175	\$ 1,146
Total income and other taxes	\$ 3,930	\$ 3,881	\$ 3,251
Net income before income taxes	\$ 12,623	\$ 11,710	\$ 10,447
Canadian statutory income tax rate (1)	26.3%	26.3%	26.2%
Lower average tax rate applicable to subsidiaries	(0.9)%	(2.3)%	(1.8)%
Tax-exempt income from securities	(3.6)%	(3.3)%	(2.8)%
Tax rate change	0.3%	0.0%	0.0%
Effect of previously unrecognized tax loss, tax credit or temporary differences	(0.1)%	(0.1)%	(0.5)%
Other	(1.4)%	2.5%	(1.0)%
Effective income tax rate	20.6%	23.1%	20.1%
Effective total tax rate (2)	28.2%	30.1%	28.0%

(1) Blended Federal and Provincial statutory income tax rate.

(2) Total income and other taxes as a percentage of net income before income taxes and other taxes.

2015 vs. 2014

Income tax expense decreased \$109 million or 4% and the effective income tax rate of 20.6% decreased 250 bps from last year mainly due to net favourable tax adjustments in the current year, partially offset by higher earnings before income taxes.

Other taxes increased \$158 million or 13%, mainly due to higher business and payroll taxes, as well as higher goods and services sales taxes. In addition to the income and other taxes reported in our Consolidated Statements of Income, we recorded income tax recoveries of \$878 million (2014 – \$643 million) in shareholders' equity, primarily reflecting foreign currency translation losses from hedging activities.

2014 vs. 2013

Income tax expense increased \$601 million or 29% from 2013, mainly due to higher earnings before income taxes. The effective income tax rate of 23.1% increased 300 bps from 20.1% in 2013, mainly due to favourable income tax adjustments in 2013 related to prior years.

Other taxes increased \$29 million or 3% from 2013, mainly due to higher payroll taxes and sales taxes which were partially offset by lower business taxes.

Client assets

Assets under administration

Assets under administration (AUA) are assets administered by us which are beneficially owned by our clients. We provide services that are administrative in nature, including safekeeping, collecting investment income, settling purchase and sale transactions, and record keeping. Underlying investment strategies within AUA are determined by our clients and generally do not impact the administrative fees that we receive. Administrative fees can be impacted by factors such as asset valuation level changes from market movements, types of services administered, transaction volumes, geography and client relationship pricing based on volumes or multiple services.

Our Investor & Treasury Services business is the primary business segment that has AUA with approximately 79% of total AUA, as at October 31, 2015, followed by our Wealth Management business with approximately 16% of total AUA.

2015 vs. 2014

AUA decreased \$37.9 billion or 1% compared to last year, mainly reflecting changes in client asset mix and unfavourable market conditions, partially offset by the impact of foreign exchange translation, net sales and capital appreciation.

The following table summarizes AUA by geography and asset class:

(Millions of Canadian dollars)	2015	2014
Canada ⁽¹⁾		
Money Market	\$ 31,500	\$ 31,100
Fixed Income	685,600	736,200
Equity	669,900	711,500
Multi-asset and other	642,400	618,700
Total Canada	\$ 2,029,400	\$ 2,097,500
U.S. ⁽¹⁾		
Money Market	\$ 33,100	\$ 28,700
Fixed Income	90,800	82,500
Equity	152,700	138,200
Multi-asset and other	21,800	16,200
Total U.S.	\$ 298,400	\$ 265,600
Other International ⁽¹⁾		
Money Market	\$ 47,500	\$ 54,400
Fixed Income	375,400	405,600
Equity	804,000	867,200
Multi-asset and other	1,054,400	956,700
Total International	\$ 2,281,300	\$ 2,283,900
Total AUA	\$ 4,609,100	\$ 4,647,000

(1) Geographic information is based on the location from where our clients are serviced.

Assets under management

Assets under management (AUM) are assets managed by us which are beneficially owned by our clients. Management fees are paid by the investment funds for the investment capabilities of an investment manager and can also include administrative services. Management fees may be calculated daily, monthly or quarterly as a percentage of the AUM, depending on the distribution channel, underlying products and investment strategies. In general, equity strategies carry a higher fee rate than fixed income or money market strategies. Fees are also impacted by asset mix and relationship pricing for clients using multiple services. Higher risk assets generally produce higher fees, while clients using multiple services can take advantage of synergies which reduce the fees they are charged. Certain funds may also include performance fee arrangements, which are recorded when certain benchmarks or performance targets are achieved. These factors could lead to differences on fees earned by products and therefore net return by asset class may vary despite similar average AUM. Our Wealth Management segment is the primary business segment that has AUM.

2015 vs. 2014

AUM increased \$41.4 billion or 9% compared to last year, primarily reflecting the impact of foreign exchange translation, as well as net sales and capital appreciation.

The following table presents changes in AUM for the years ended October 31, 2015 and October 31, 2014:

Client assets – AUM		Table 12	
(Millions of Canadian dollars)		2015	2014
AUM, beginning balance		\$ 457,000	\$ 391,100
Net asset flows:			
Money market		(4,900)	(5,600)
Fixed income		8,800	14,300
Equity		900	4,100
Multi-asset and other		13,400	17,000
Market impact and other		23,200	36,100
AUM, balance at end of year		\$ 498,400	\$ 457,000

Business segment results

Results by business segment

The following table summarizes our results by business segment:

		2015						2014	2013
(Millions of Canadian dollars, except percentage amounts)	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Total	Total
	Net interest income	\$ 10,004	\$ 493	\$ –	\$ 818	\$ 3,970	\$ (514)	\$ 14,771	\$ 14,116
Non-interest income	4,309	6,282	4,436	1,220	4,093	210	20,550	19,992	17,433
Total revenue	\$ 14,313	\$ 6,775	\$ 4,436	\$ 2,038	\$ 8,063	\$ (304)	\$ 35,321	\$ 34,108	\$ 30,682
PCL	984	46	–	(1)	71	(3)	1,097	1,164	1,237
PBCAE	–	–	2,963	–	–	–	2,963	3,573	2,784
Non-interest expense	6,611	5,292	613	1,301	4,696	125	18,638	17,661	16,214
Net income before income taxes	\$ 6,718	\$ 1,437	\$ 860	\$ 738	\$ 3,296	\$ (426)	\$ 12,623	\$ 11,710	\$ 10,447
Income tax	1,712	396	154	182	977	(824)	2,597	2,706	2,105
Net income	\$ 5,006	\$ 1,041	\$ 706	\$ 556	\$ 2,319	\$ 398	\$ 10,026	\$ 9,004	\$ 8,342
ROE (2)	30.0%	17.4%	44.3%	20.3%	13.6%	n.m.	18.6%	19.0%	19.7%
Average assets	\$ 386,100	\$ 29,100	\$ 13,700	\$ 125,300	\$ 477,300	\$ 21,300	\$ 1,052,800	\$ 906,500	\$ 852,000

(1) Net interest income, total revenue and net income before income taxes are presented in Capital Markets on a taxable equivalent basis (teb). The teb adjustment is eliminated in the Corporate Support segment. For a further discussion, refer to the How we measure and report our business segments section.

(2) These measures may not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions. For further details, refer to the Key performance and non-GAAP measures section.

How we measure and report our business segments

Our management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way that the business segment is managed. This approach is intended to ensure that our business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results. The following highlights the key aspects of how our business segments are managed and reported:

- Personal & Commercial Banking reported results include securitized Canadian residential mortgage and credit card loans and related amounts for income and provisions for credit losses on impaired loans.
- Wealth Management reported results also include disclosure in U.S. dollars as we review and manage the results of certain businesses largely in this currency.
- Capital Markets results are reported on a taxable equivalent basis (teb), which grosses up net interest income from certain tax-advantaged sources (Canadian taxable corporate dividends) to their effective taxable equivalent value with a corresponding offset recorded in the provision for income taxes. We record the elimination of the teb adjustments in Corporate Support. We believe these adjustments are useful and reflect how Capital Markets manages its business, since it enhances the comparability of revenue and related ratios across taxable revenue and our principal tax-advantaged source of revenue. The use of teb adjustments and measures may not be comparable to similar generally accepted accounting principles (GAAP) measures or similarly adjusted amounts disclosed by other financial institutions.
- Corporate Support results include all enterprise-level activities that are undertaken for the benefit of the organization that are not allocated to our five business segments, including residual asset/liability management results, impact from income tax adjustments, net charges associated with unattributed capital and PCL on loans not yet identified as impaired.

Key methodologies

The following outlines the key methodologies and assumptions used in our management reporting framework. These are periodically reviewed by management to ensure they remain valid.

Expense allocation

To ensure that our business segments' results include expenses associated with the conduct of their business, we allocate costs incurred or services provided by Technology & Operations and Functions, which are directly undertaken or provided on the business segments' behalf. For other costs not directly attributable to our business segments, including overhead costs and other indirect expenses, we use our management reporting framework for allocating these costs to each business segment in a manner that is intended to reflect the underlying benefits.

Capital attribution

Our framework also determines the attribution of capital to our business segments in a manner that is intended to consistently measure and align economic costs with the underlying benefits and risks associated with the activities of each business segment. The amount of capital assigned to each business segment is referred to as attributed capital. Unattributed capital and associated net charges are reported in Corporate Support. For further information, refer to the Capital management section.

Funds transfer pricing

Funds transfer pricing refers to the pricing of intra-company borrowing or lending. We employ a funds transfer pricing process that motivates economically sound business decisions by providing risk-adjusted pricing and profitability guidance after taking into consideration interest rate and liquidity risk as well as applicable regulatory requirements. Funds transfer pricing also provides the basis for risk-adjusted profitability measurement for our products and measures.

Provisions for credit losses

PCL are recorded to recognize estimated losses on impaired loans, as well as losses that have been incurred but are not yet identified in our loans portfolio. This portfolio includes on-balance sheet exposures, such as loans and acceptances, and off-balance sheet items such as letters of credit, guarantees and unfunded commitments. PCL on impaired loans are included in the results of each business segment to fully reflect the appropriate expenses related to the conduct of each business segment. PCL on loans not yet identified as impaired are included in Corporate Support, as Group Risk Management (GRM) effectively controls this through its monitoring and oversight of various lending portfolios throughout the enterprise. For details on our accounting policy on Allowance for credit losses, refer to Note 2 of our 2015 Annual Consolidated Financial Statements.

Key performance and non-GAAP measures

Performance measures

Return on common equity

We measure and evaluate the performance of our consolidated operations and each business segment using a number of financial metrics, such as net income and ROE. We use ROE, at both the consolidated and business segment levels, as a measure of return on total capital invested in our business. Management views the business segment ROE measure as a useful measure for supporting investment and resource allocation decisions because it adjusts for certain items that may affect comparability between business segments and certain competitors.

Our consolidated ROE calculation is based on net income available to common shareholders divided by total average common equity for the period. Business segment ROE calculations are based on net income available to common shareholders divided by average attributed capital for the period. For each segment, average attributed capital includes the capital required to underpin various risks as described in the Capital Management section and amounts invested in goodwill and intangibles.

The attribution of capital and risk capital involves the use of assumptions, judgments and methodologies that are regularly reviewed and revised by management as deemed necessary. Changes to such assumptions, judgments and methodologies can have a material effect on the segment ROE information that we report. Other companies that disclose information on similar attributions and related return measures may use different assumptions, judgments and methodologies.

The following table provides a summary of our ROE calculations:

	2015							2014	2013
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets	Corporate Support	Total	Total	Total
(Millions of Canadian dollars, except percentage amounts)									
Net income available to common shareholders	\$ 4,937	\$ 1,021	\$ 701	\$ 545	\$ 2,259	\$ 271	\$ 9,734	\$ 8,697	\$ 7,991
Average common equity (1), (2)	16,500	5,900	1,600	2,700	16,550	9,050	52,300	45,700	40,600
ROE (3)	30.0%	17.4%	44.3%	20.3%	13.6%	n.m.	18.6%	19.0%	19.7%

(1) Average common equity represents rounded figures.

(2) The amounts for the segments are referred to as attributed capital.

(3) ROE is based on actual balances of average common equity before rounding.

Embedded value for Insurance operations

Embedded value is a measure of shareholder value embedded in the balance sheet of our Insurance segment, excluding any value from future new sales. We use the change in embedded value between reporting periods as a measure of the value created by the insurance operations during the period.

We define embedded value as the value of equity held in our Insurance segment and the value of in-force business (existing policies). The value of in-force business is calculated as the present value of future expected earnings on in-force business less the cost of capital required to support in-force business. We use discount rates equal to long-term risk free rates plus a spread. Required capital uses the capital frameworks in the jurisdictions in which we operate.

Key drivers affecting the change in embedded value from period to period are new sales, investment performance, claims and policyholder experience, change in actuarial assumptions, changes in foreign exchange rates and changes in shareholder equity arising from transfers in capital.

Embedded value does not have a standardized meaning under GAAP and may not be directly comparable to similar measures disclosed by other companies. Given that this measure is specifically used for our Insurance segment and involves the use of discount rates to present value the future expected earnings and capital required for the in-force business, reconciliation to financial statements information is not applicable.

Non-GAAP measures

We believe that certain non-GAAP measures described below are more reflective of our ongoing operating results, and provide readers with a better understanding of management's perspective on our performance. These measures enhance the comparability of our financial performance for the year ended October 31, 2015 with results from last year as well as, in the case of economic profit, measure relative contribution to shareholder value. Non-GAAP measures do not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions.

The following discussion describes the non-GAAP measures we use in evaluating our operating results.

Economic profit

Economic profit is net income excluding the after-tax effect of amortization of other intangibles less a capital charge for use of attributed capital. It measures the return generated by our businesses in excess of our cost of capital, thus enabling users to identify relative contributions to shareholder value.

The capital charge includes a charge for common equity and preferred shares. For 2015, our cost of capital was 9.0%.

The following table provides a summary of our Economic profit:

Economic profit							Table 15	
(Millions of Canadian dollars)	2015							Total
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets	Corporate Support		
Net income	\$ 5,006	\$ 1,041	\$ 706	\$ 556	\$ 2,319	\$ 398	\$ 10,026	
add: Non-controlling interests	(8)	2	–	(1)	–	(94)	(101)	
After-tax effect of amortization of other intangibles	22	69	–	21	–	1	113	
Goodwill and intangibles writedown	–	4	–	–	–	–	4	
Adjusted net income (loss)	\$ 5,020	\$ 1,116	\$ 706	\$ 576	\$ 2,319	\$ 305	\$ 10,042	
less: Capital charge	1,544	551	148	251	1,550	852	4,896	
Economic profit (loss)	\$ 3,476	\$ 565	\$ 558	\$ 325	\$ 769	\$ (547)	\$ 5,146	

(Millions of Canadian dollars)	2014							Total
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets	Corporate Support		
Net income	\$ 4,475	\$ 1,083	\$ 781	\$ 441	\$ 2,055	\$ 169	\$ 9,004	
add: Non-controlling interests	1	(1)	–	(1)	–	(93)	(94)	
After-tax effect of amortization of other intangibles	27	73	–	21	1	1	123	
Goodwill and intangibles writedown	–	6	–	–	2	–	8	
Adjusted net income (loss)	\$ 4,503	\$ 1,161	\$ 781	\$ 461	\$ 2,058	\$ 77	\$ 9,041	
less: Capital charge	1,439	521	147	205	1,333	696	4,341	
Economic profit (loss)	\$ 3,064	\$ 640	\$ 634	\$ 256	\$ 725	\$ (619)	\$ 4,700	

Results excluding specified items

Our results were impacted by the following specified items:

- For the year ended October 31, 2015, a gain of \$108 million (before- and after-tax) from the wind-up of a U.S.-based funding subsidiary that resulted in the release of CTA that was previously booked in other components of equity (OCE), which was recorded in Corporate Support.
- For the year ended October 31, 2014, in our Personal & Commercial Banking segment:
 - A total loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, comprised of a loss of \$60 million (before- and after-tax) in the first quarter of 2014, and a further loss of \$40 million (before- and after-tax) in the third quarter of 2014 which includes foreign currency translation related to the closing of the sale of RBC Jamaica; and
 - A provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean.

The following table provides calculations of our business segment results and measures excluding this specified item for the year ended October 31, 2014:

Personal & Commercial Banking

Table 16

	2014				
	As reported	Items excluded			Adjusted
Loss related to the sale of RBC Jamaica		Provision for post-employment benefits and restructuring charges			
(Millions of Canadian dollars, except percentage amounts)					
Total revenue	\$ 13,730	\$ –	\$ –	\$ –	\$ 13,730
PCL	1,103	–	–	–	1,103
Non-interest expense	6,563	(100)	(40)	(40)	6,423
Net income before taxes	6,064	100	40	40	6,204
Net income	\$ 4,475	\$ 100	\$ 32	\$ 32	\$ 4,607
Selected balances and other information					
Non-interest expense	\$ 6,563	\$ (100)	\$ (40)	\$ (40)	\$ 6,423
Total revenue	13,730				13,730
Efficiency ratio	47.8%				46.8%
Revenue growth rate	5.5%				5.5%
Non-interest expense growth rate	6.4%				4.2%
Operating leverage	(0.9%)				1.3%

Personal & Commercial Banking

Personal & Commercial Banking is comprised of our personal and business banking operations, and our auto financing and retail investment businesses, including our online discount brokerage channel, and operates through two businesses: Canadian Banking and Caribbean & U.S. Banking. We provide services to more than 13.5 million individual, business and institutional clients across Canada, the Caribbean and the U.S. In Canada, we provide a broad suite of financial products and services through our extensive branch, automated teller machine (ATM), online, mobile and telephone banking networks, as well as through a large number of proprietary sales professionals. In the Caribbean, we offer a broad range of financial products and services to individuals and business clients, and public institutions in targeted markets. In the U.S., we serve the cross-border banking needs of Canadian clients within the U.S. through online channels.

In Canada, we compete with other Schedule I banks, independent trust companies, foreign banks, credit unions, caisses populaires, and auto financing companies. We maintain top (#1 or #2) rankings in market share in this competitive environment for all key retail and business financial product categories, and have the largest branch network, the most ATMs and the largest mobile sales network across Canada. In the Caribbean, our competition includes banks, trust companies and investment management companies serving retail and corporate customers and public institutions. We continue to be the second-largest bank as measured by assets in the English Caribbean, with 79 branches in 17 countries and territories. In the U.S., we compete primarily with other Canadian banking institutions with operations in the U.S.

Economic and market review

We continued to see solid volume growth across most of our Canadian banking businesses, despite slowing economic conditions in Canada particularly in the first half of fiscal 2015. The continuing low interest rate environment has driven solid, although slower industry growth compared to last year. Historically low credit loss rates in our business and consumer products reflected a strong labour market in Canada during most of the calendar year. Our businesses continued to be impacted by competitive pressures. In the Caribbean, unfavourable economic conditions continued to negatively impact our results through lower loan volumes, and spread compression.

Highlights

In Canada:

- We achieved solid volume growth across all products, with particular strength in:
 - Home equity supported by the RBC Newcomer Advantage and our Employee Pricing campaigns; and
 - Credit cards through strong account and balance growth in our industry leading Avion® card.
- We achieved improved volume in Business Financial Services as we have focused our attention in certain business segments to strengthen our market share and we have expanded our sales force in the upper end of the market.
- We have continued to invest in digitizing our client experience with a focus on speed of service and simplifying the end-to-end processes:
 - Launched Cheque-Pro™, allowing high cheque volume clients connecting to our online banking channels using an in-office scanner to make deposits;
 - Continued to evolve the branch network for basic service transactions while investing in our digital and mobile platforms. We currently have nearly 5 million active clients on our digital and mobile platforms, with particularly strong growth of 23% in the number of active clients using our mobile platform;
 - Rolled out Host Card Emulation technology allowing RBC clients with Android devices to use RBC Wallet anywhere in the world with any mobile network.

- As a result of our successes, we received external recognition as an industry leader and were named:
 - Best Global Retail Bank (*Retail Banker International*) for the second consecutive year;
 - Best Trade Finance Bank in Canada (*Global Finance Magazine*) for the third consecutive year;
 - Best Private Banking Services Overall in Canada 2015 (*Euromoney*) for the eighth consecutive year;
 - Bank of the Year in Canada (*The Banker*).

In the Caribbean:

- We continued to focus on quality asset growth while reducing our structural costs to minimize the impact of challenging market conditions.
- We launched a new mobile payment solution, RBC EZPay, allowing merchants to capture payment transactions by inserting card reader plugs into a smartphone.
- Completed the sale of RBC Suriname to Republic Bank Ltd. in July 2015.
- As a result of our successes, we were named #1 Bank in the Caribbean and in Trinidad and Tobago (*The Banker*).

Outlook and priorities

Financial conditions in Canada are expected to improve, driven by the continued low interest rate environment, strong labour markets, and higher net exports. We expect continued solid volume growth across most of our products, but anticipate increasing pricing and competitive pressures resulting from slowing banking industry growth and the low interest rate environment.

In the Caribbean, challenging market conditions and slow economic growth continue to temper our outlook. We expect net interest margins to remain challenged due to low interest rates and competitive pressures. However, we expect to strengthen our business performance through efficiency management, increases in fee revenue, and quality asset growth.

For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2016

In Canada, our priorities are to:

- Transform how we serve clients by enabling digital access and providing our clients with advice and solutions, personalized offers and client loyalty rewards.
- Accelerate growth in key segments and increase our presence in underpenetrated areas to achieve industry-leading volume growth.
- Rapidly deliver secure, enhanced payment and mobile solutions to our clients.
- Achieve greater agility and efficiency by simplifying, digitizing and automating processes and the end-to-end client experience.

In the Caribbean, we are focused on targeting markets where we can compete and drive sustainable profitability, with a strategic focus on corporate, business, professional and business owner clientele. In the U.S., we are focused on meeting the banking and borrowing needs of our cross-border clients through an innovative direct banking approach by providing seamless access to their entire RBC relationship.

(Millions of Canadian dollars, except number of and percentage amounts and as otherwise noted)	2015	2014	2013
Net interest income	\$ 10,004	\$ 9,743	\$ 9,434
Non-interest income	4,309	3,987	3,585
Total revenue	14,313	13,730	13,019
PCL	984	1,103	995
Non-interest expense	6,611	6,563	6,168
Net income before income taxes	6,718	6,064	5,856
Net income	\$ 5,006	\$ 4,475	\$ 4,380
Revenue by business			
Canadian Banking	\$ 13,379	\$ 12,869	\$ 12,220
Caribbean & U.S. Banking	934	861	799
Key ratios			
ROE	30.0%	29.0%	30.5%
NIM (1)	2.71%	2.77%	2.78%
Efficiency ratio (2)	46.2%	47.8%	47.4%
Efficiency ratio adjusted (2), (3)	n.a.	46.8%	n.a.
Operating leverage	3.5%	(0.9)%	(1.3)%
Operating leverage adjusted (3)	1.3%	1.3%	n.a.
Selected average balance sheet information			
Total assets (4)	\$ 386,100	\$ 367,900	\$ 354,300
Total earning assets (5)	369,000	351,300	338,700
Loans and acceptances (4), (5)	367,500	350,700	336,800
Deposits	298,600	278,800	262,200
Other information			
AUA (6)	\$ 223,500	\$ 214,200	\$ 192,200
AUM	4,800	4,000	3,400
Number of employees (FTE) (4)	35,007	36,113	37,951
Effective income tax rate	25.5%	26.2%	25.2%
Credit information			
Gross impaired loans as a % of average net loans and acceptances (4)	0.49%	0.55%	0.55%
PCL on impaired loans as a % of average net loans and acceptances	0.27%	0.31%	0.30%

Estimated impact of U.S. dollar and Trinidad & Tobago dollar (TTD) translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2015 vs. 2014
Increase (decrease):	
Total revenue	\$ 72
Non-interest expense	43
Net income	19
Percentage change in average US\$ equivalent of C\$1.00	(13)%
Percentage change in average TTD\$ equivalent of C\$1.00	(14)%

(1) NIM is calculated as Net interest income divided by Average total earning assets.

(2) Efficiency ratio is calculated as Non-interest expense divided by Total revenue.

(3) Measures have been adjusted by excluding the Q3 2014 loss of \$40 million related to the closing of RBC Jamaica, and the Q1 2014 loss of \$60 million related to the sale of RBC Jamaica and the provision of \$40 million related to post-employment benefits and restructuring charges in the Caribbean. These are non-GAAP measures. For further details, refer to the Key performance and non-GAAP measures section.

(4) Amounts have been revised from those previously presented.

(5) Average total earning assets and average loans and acceptances include average securitized residential mortgages and credit card loans for the year ended October 31, 2015 of \$56.7 billion and \$7.8 billion, respectively (2014 – \$52.4 billion and \$8.0 billion; 2013 – \$48.4 billion and \$7.2 billion).

(6) AUA represents period-end spot balances and includes securitized residential mortgages and credit card loans as at October 31, 2015 of \$21.0 billion and \$8.0 billion, respectively (October 31, 2014 – \$23.2 billion and \$8.0 billion; October 31, 2013 – \$25.4 billion and \$7.2 billion).

2015 vs. 2014

Net income increased \$531 million or 12%. Excluding the loss last year of \$100 million (before- and after-tax) related to the sale of RBC Jamaica and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean, net income increased \$399 million or 9%, largely reflecting solid volume growth across most businesses in Canada and strong fee-based revenue growth, and higher earnings in the Caribbean. These factors were partially offset by higher costs to support business growth and lower spreads.

Total revenue increased \$583 million or 4% reflecting solid volume growth across most businesses in Canada, higher fee-based revenue primarily attributable to strong mutual funds asset growth resulting in higher mutual fund distribution fees, as well as higher balances and higher credit card transaction volumes driving higher card service revenue, and the positive impact of foreign exchange translation. These factors were partially offset by lower spreads.

Net interest margin decreased 6 bps mainly due to the low interest rate environment and competitive pressures.

PCL decreased \$119 million, with the PCL ratio improving 4 bps, largely due to lower provisions in our Caribbean portfolios primarily due to provisions of \$50 million on our Caribbean impaired residential mortgage portfolio included in the prior year. Lower provisions in the current year in our Canadian commercial lending portfolio also contributed to the decrease. These factors were partially offset by higher write-offs in our Canadian credit card portfolio.

Non-interest expense increased \$48 million. Excluding the prior year specified items noted above, non-interest expense increased \$188 million or 3%, mainly reflecting an increase due to the impact of foreign exchange translation, and higher technology and staff costs to support business growth, partially offset by continuing benefits from our efficiency management activities.

Average loans and acceptances increased \$17 billion or 5%, largely due to strong growth in Canadian residential mortgages and business loans. Average deposits increased \$20 billion or 7%, as a result of solid growth in both business and personal deposits.

2014 vs. 2013

Net income was up \$95 million or 2% from 2013. Excluding the loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean in 2014, net income of \$4,607 million was up \$227 million or 5%, largely reflecting solid volume growth across most of our Canadian businesses, strong fee-based revenue growth primarily attributable to higher mutual fund distribution fees and card service revenue, and results from the full integration of Ally Canada. These factors were partially offset by higher PCL largely in the Caribbean.

Average loans and acceptances increased \$14 billion or 4% from 2013, mainly due to growth in Canadian residential mortgages, business loans and personal loans. Average deposits increased \$17 billion or 6% from 2013, reflecting solid growth in both personal and business deposits.

Results excluding the specified items noted above are non-GAAP measures. For further details, including a reconciliation, refer to the Key performance and non-GAAP measures section.

In Canada, we operate through three business lines: Personal Financial Services, Business Financial Services and Cards and Payments Solutions. The following provides a discussion of our consolidated Canadian Banking results.

Canadian Banking financial highlights		Table 18		
(Millions of Canadian dollars, except number of and percentage amounts and as otherwise noted)				
	2015	2014	2013	
Net interest income	\$ 9,377	\$ 9,168	\$ 8,875	
Non-interest income	4,002	3,701	3,345	
Total revenue	13,379	12,869	12,220	
PCL	912	928	908	
Non-interest expense	5,891	5,687	5,464	
Net income before income taxes	6,576	6,254	5,848	
Net income	\$ 4,877	\$ 4,642	\$ 4,352	
Revenue by business				
Personal Financial Services	\$ 7,634	\$ 7,285	\$ 6,948	
Business Financial Services	3,091	3,135	2,990	
Cards and Payment Solutions	2,654	2,449	2,282	
Key ratios				
ROE	36.4%	37.0%	37.5%	
NIM ⁽¹⁾	2.66%	2.71%	2.72%	
Efficiency ratio ⁽²⁾	44.0%	44.2%	44.7%	
Operating leverage	0.4%	1.2%	(0.6)%	
Selected average balance sheet information				
Total assets ⁽³⁾	\$ 364,900	\$ 349,500	\$ 337,000	
Total earning assets ⁽⁴⁾	352,800	337,900	326,400	
Loans and acceptances ^{(3), (4)}	358,500	343,100	329,400	
Deposits	281,200	263,600	248,100	
Other information				
AUA ⁽⁵⁾	213,700	205,200	183,600	
Number of employees (FTE) ⁽³⁾	30,853	31,381	31,910	
Effective income tax rate	25.8%	25.8%	25.6%	
Credit information				
Gross impaired loans as a % of average net loans and acceptances	0.30%	0.33%	0.36%	
PCL on impaired loans as a % of average net loans and acceptances ⁽³⁾	0.25%	0.27%	0.28%	

(1) NIM is calculated as Net interest income divided by Average total earning assets.

(2) Efficiency ratio is calculated as Non-interest expense divided by Total revenue.

(3) Amounts have been revised from those previously presented.

(4) Average total earning assets and average loans and acceptances include average securitized residential mortgages and credit card loans for the year ended October 31, 2015 of \$56.7 billion and \$7.8 billion, respectively (2014 – \$52.4 billion and \$8.0 billion; 2013 – \$48.4 billion and \$7.2 billion).

(5) AUA represents period-end spot balances and includes securitized residential mortgages and credit card loans as at October 31, 2015 of \$21.0 billion and \$8.0 billion respectively (October 31, 2014 – \$23.2 billion and \$8.0 billion; October 31, 2013 – \$25.4 billion and \$7.2 billion).

2015 vs. 2014

Net income increased \$235 million or 5% due to solid volume growth across most businesses and strong fee-based revenue growth, partially offset by higher costs to support business growth, and lower spreads.

Total revenue increased \$510 million or 4%, reflecting solid volume growth across most businesses and higher fee-based revenue primarily attributable to strong mutual fund asset growth resulting in higher mutual fund distribution fees, as well as higher credit card balances and transaction volumes driving higher card service revenue. These factors were partially offset by lower spreads.

Net interest margin decreased 5 bps compared to last year mainly due to the low interest rate environment, and competitive pressures.

PCL decreased \$16 million, with the PCL ratio improving 2 bps, mostly due to lower provisions in our commercial lending portfolio, partially offset by higher write-offs in our credit card portfolio.

Non-interest expense increased \$204 million or 4% mainly due to higher technology and staff costs to support business growth, partially offset by continuing benefits from our efficiency management activities.

Average loans and acceptances increased \$15 billion or 4%, mainly due to strong growth in both residential mortgages and business loans. Average deposits increased \$18 billion or 7%, primarily reflecting solid growth in both business and personal deposits.

2014 vs. 2013

Net income increased \$290 million or 7% from 2013, reflecting solid volume growth of 5% across most businesses, strong fee-based revenue growth primarily attributable to mutual fund asset growth resulting in higher mutual fund distribution fees, as well as higher credit card balances and transaction volumes driving higher card service revenue, and results from the full integration of Ally Canada.

Business line review

Personal Financial Services

Personal Financial Services focuses on meeting the needs of our individual Canadian clients at every stage of their lives through a wide range of financing and investment products and services, including home equity financing, personal lending, deposit accounts, Canadian private banking, indirect lending (including auto financing), mutual funds and self-directed brokerage accounts, and Guaranteed Investment Certificates (GICs). We rank #1 or #2 in market share for all key personal banking products in Canada and our retail banking network is the largest in Canada with 1,275 branches and over 4,500 ATMs.

Financial performance

Total revenue increased \$349 million or 5% compared to last year, reflecting solid volume growth across most businesses, and increased fee-based revenue primarily attributable to strong mutual fund asset growth driving higher mutual fund distribution fees.

Average residential mortgages increased 6% compared to 2014, resulting from solid housing market activity supported by the continuing low interest rate environment and our targeted marketing strategy. Average other loans and acceptances decreased 2% from last year largely due to lower indirect lending volumes. Average deposits increased 5% from last year as a result of deepening our relationships with existing clients as well as strong new client acquisition.

Selected highlights

Table 19

(Millions of Canadian dollars, except number of)	2015	2014	2013
Total revenue	\$ 7,634	\$ 7,285	\$ 6,948
Other information (average)			
Residential mortgages (1)	197,300	186,000	177,900
Other loans and acceptances (1)	84,100	85,400	83,500
Deposits (1), (2)	173,000	165,100	156,900
Branch mutual fund balances (3)	122,000	111,600	95,300
AUA – Self-directed brokerage (3)	61,400	60,500	53,300
Number of:			
New deposit accounts opened (thousands)	1,420	1,514	1,285
Branches	1,275	1,272	1,255
ATM	4,542	4,620	4,622

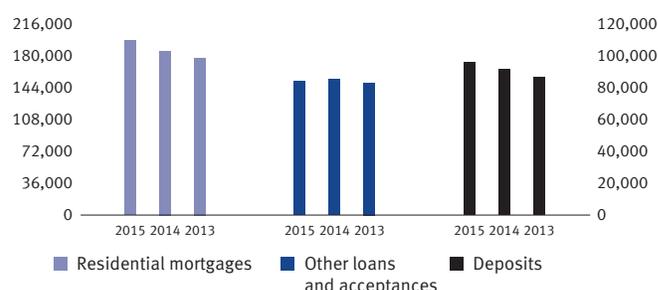
(1) Amounts have been revised from those previously presented.

(2) Includes GIC balances.

(3) Represents year-end spot balances.

Average residential mortgages, personal loans and deposits

(Millions of Canadian dollars)



Business Financial Services

Business Financial Services offers a wide range of lending, leasing, deposit, investment, foreign exchange, cash management, auto dealer financing (floor plan), trade products and services to small, medium-sized commercial businesses, as well as agriculture and agribusiness clients across Canada. Our business banking network has the largest team of relationship managers and specialists in the industry. Our strong commitment to our clients has resulted in our leading market share in business loans and deposits.

Financial performance

Total revenue decreased \$44 million or 1% compared to last year as strong volume growth was more than offset by spread compression reflecting competitive pressures and the impact of continuing low interest rate environment. The prior year included a favourable cumulative accounting adjustment related to deferred loan fees in our business lending portfolio.

Average loans and acceptances increased 8% and average deposits were up 10%, despite a very competitive environment, due to increased activity from existing and new clients.

Selected highlights

Table 20

(Millions of Canadian dollars)	2015	2014	2013
Total revenue	\$ 3,091	\$ 3,135	\$ 2,990
Other information (average)			
Loans and acceptances (1)	62,000	57,600	54,400
Deposits (1), (2)	108,200	98,500	91,200

(1) Amounts have been revised from those previously presented.

(2) Includes GIC balances.

Average business loans and acceptances and business deposits

(Millions of Canadian dollars)



Cards and Payment Solutions

Cards and Payment Solutions provides a wide array of credit cards with loyalty and reward benefits, and payment products and solutions within Canada. We have over 7 million credit card accounts and have approximately 23% market share of Canada's credit card purchase volume.

In addition, this business line includes our 50% interest in Moneris Solutions, Inc., our merchant card processing joint venture with the Bank of Montreal. Moneris processes approximately \$215 billion in annual credit and debit card transaction volumes.

Financial performance

Total revenue increased \$205 million or 8%, compared to last year, driven by higher balances and higher credit card transaction volumes, and improved spreads.

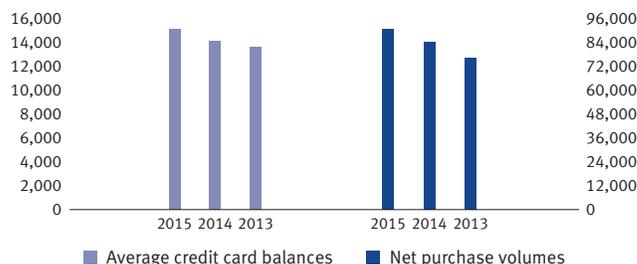
Average credit card balances increased 7% and net purchase volumes increased 8% due to higher active accounts driven by strength in new account acquisitions.

Selected highlights

Table 21

(Millions of Canadian dollars)	2015	2014	2013
Total revenue	\$ 2,654	\$ 2,449	\$ 2,282
Other information			
Average credit card balances	15,100	14,100	13,600
Net purchase volumes	90,800	84,200	76,200

Average credit card balances and net purchase volumes
(Millions of Canadian dollars)



Caribbean & U.S. Banking

Our Caribbean banking business offers a comprehensive suite of banking products and services, as well as international financing and trade promotion services through extensive branch, ATM, online and mobile banking networks.

Our U.S. cross-border banking business serves the needs of our Canadian clients within the U.S. through online and mobile channels, and offers a broad range of financial products and services to individual and business clients across all 50 states. As well, we serve the banking product needs of our U.S. wealth management clients.

Financial performance

Total revenue was up \$73 million or 8% from last year, primarily due to the positive impact of foreign exchange translation and the full-year impact of implementation of full service pricing in the Caribbean. These factors were partially offset by lower spreads.

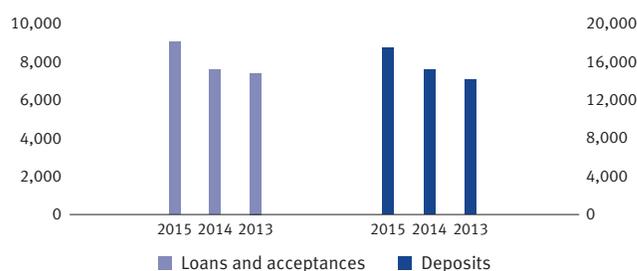
Average loans and acceptances increased 18%, primarily due to the positive impact of foreign exchange translation and modest volume growth. Average deposits increased 14%, mostly due to the positive impact of foreign exchange translation.

Selected highlights

Table 22

(Millions of Canadian dollars, number of and percentage amounts)	2015	2014	2013
Total revenue	\$ 934	\$ 861	\$ 799
Other information			
Net interest margin ⁽¹⁾	3.87%	4.29%	4.58%
Average loans and acceptances ⁽¹⁾	\$ 9,000	\$ 7,600	\$ 7,400
Average deposits	17,400	15,200	14,100
AUA	9,800	9,000	8,600
AUM	4,800	4,000	3,400
Number of:			
Branches	79	93	116
ATM	274	309	351

Average loans and deposits (Millions of Canadian dollars)



(1) Amounts have been revised from those previously presented.

Wealth Management comprises Canadian Wealth Management, U.S. & International Wealth Management and Global Asset Management (GAM). Wealth Management serves individual and institutional clients in target markets around the world. From our offices in key financial centres mainly in Canada, the U.S., the U.K., Channel Islands, and Asia, Wealth Management offers a comprehensive suite of investment, trust, banking, credit and other wealth management solutions to affluent, high net worth (HNW), and ultra-high net worth (UHNW) clients. Our asset management group, Global Asset Management, which includes BlueBay Asset Management (BlueBay), is an established global leader in investment management services, providing investment strategies and fund solutions directly to institutional investors and also to individual clients through our distribution channels and third-party distributors. On November 2, 2015, we completed the acquisition of City National, which will enhance and complement our existing U.S. businesses and product offerings.

Economic and market review

Economic activity in Canada and the U.S. slowed during the early part of fiscal 2015, although the U.S. economy started to recover more quickly than the Canadian economy in the latter part of the year. Despite this stalled economic activity, we continued to see growth in our average fee-based client assets through capital appreciation and net sales. The Euro area economy grew marginally during the fiscal year, leading the ECB to implement a highly stimulative monetary policy to help restore investor confidence and stimulate economic activity in the region. Global capital markets remained volatile throughout the year, leading to lower transaction volumes during the year. In addition, heightened regulation has driven up compliance and technology costs.

Highlights

- Capital appreciation and strong net sales continued to drive client assets higher, which surpassed \$1.2 trillion this year.
- We continued to grow and invest in our high-performing asset management business and maintained a leading market share of 14.5% of the Canadian mutual fund asset management industry. We continued to increase BlueBay's distribution footprint with institutional clients and expand our international distribution capabilities to U.S. and international institutional clients and professional buyers.
- In Canada, our full service private wealth business is the industry leader. We continue to extend our leadership amongst HNW clients by focusing on delivering comprehensive value to our clients, leveraging our expertise around business owners, succession and wealth planning.
- In the U.S., our second home market, we are among the top 10 full service brokerage firms in terms of assets and number of advisors, and we continue to focus on improving advisor productivity. Furthermore, our recent acquisition of City National will enhance our U.S. product offering.
- Outside Canada and the U.S., we continued to realign our International Wealth Management business to focus on key client segments, including HNW and UHNW clients in select target markets, while enhancing our product offering and operating environment, creating a scalable and profitable business aligned to a more conservative risk profile.
- The strength of our global capabilities and continued commitment to deliver integrated global wealth management advice, solutions and services to HNW and UHNW clients helped us earn significant industry awards. We were ranked or named:
 - For the second year in a row, we ranked 5th largest global wealth manager by client assets (*Scorpio Partnership's 2015 Global Private Banking KPI Benchmark*)
 - Best Private Banking services overall for an eighth consecutive year in Canada and Best Private Banking services overall for the second year in a row in Jersey (*Euromoney*)
 - A top 50 Global Asset Manager (*Pensions & Investments / Towers Watson*)
 - Best Bank-owned Brokerage Firm in Canada (*International Executive Brokerage Report Card*)
 - Trust Company of the Year (*Society of Trust and Estate Practitioners*)
 - RBC Wealth Management® and RBC Asset Management® brand was recognized as the 8th best banking brand globally (*Brand Finance Banking 500*)

Outlook and priorities

Global market volatility, investor uncertainty and low interest rates are expected to continue into 2016. Despite the overall economic uncertainty and volatile equity markets, we expect global private wealth to continue to grow driven by growth in the HNW client segment. Our revenue is expected to increase mainly due to higher client assets. We will continue to leverage our brand, reputation, and financial strength to increase our market share of HNW and UHNW globally. In addition, changing demographics and rapid advancements in digitization are expected to drive an accelerated pace of change, requiring a greater focus on delivering a digitally-integrated, multi-channel experience for our clients and client-facing professionals.

For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2016

- Leverage and grow our high performing asset management business globally.
- Deepen client relationships by bringing the best of RBC to our clients, leveraging the RBC enterprise brand, capabilities and competitive strengths.
- Focus on developing a differentiated client experience tailored to key HNW and UHNW client segments in our priority markets, with a greater emphasis on digital enablement.
- Drive sustainable growth in our international wealth business by enhancing our solution offering and achieving a more scalable and streamlined operating model.
- Leverage the combined strengths of City National and RBC U.S. Wealth Management to create a powerful and scalable engine for growth in the U.S.

Wealth Management

Table 23

(Millions of Canadian dollars, except number of and percentage amounts and as otherwise noted)	2015	2014	2013
Net interest income	\$ 493	\$ 469	\$ 396
Non-interest income			
Fee-based revenue	4,699	4,185	3,463
Transactional and other revenue	1,583	1,659	1,628
Total revenue	6,775	6,313	5,487
PCL	46	19	51
Non-interest expense	5,292	4,800	4,219
Net income before income taxes	1,437	1,494	1,217
Net income	\$ 1,041	\$ 1,083	\$ 886
Revenue by business			
Canadian Wealth Management	\$ 2,226	\$ 2,186	\$ 1,889
U.S. & International Wealth Management	2,729	2,430	2,225
U.S. & International Wealth Management (US\$ millions)	2,181	2,221	2,174
Global Asset Management (1)	1,820	1,697	1,373
Key ratios			
ROE	17.4%	19.2%	15.8%
Pre-tax margin (2)	21.2%	23.7%	22.2%
Selected average balance sheet information			
Total assets	\$ 29,100	\$ 25,800	\$ 21,600
Loans and acceptances	17,700	15,700	12,100
Deposits	39,500	36,200	31,900
Attributed capital	5,900	5,500	5,400
Other information			
Revenue per advisor (000s) (3)	\$ 1,089	\$ 983	\$ 862
AUA (4)	749,700	717,500	639,200
AUM (4)	492,800	452,300	387,200
Average AUA	755,600	690,500	609,500
Average AUM	484,700	427,800	367,600
Number of employees (FTE)	12,598	12,919	12,462
Number of advisors (5)	3,954	4,245	4,216

Estimated impact of U.S. dollar, British pound and Euro translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2015 vs. 2014
<i>Increase (decrease):</i>	
Total revenue	\$ 301
Non-interest expense	263
Net income	19
Percentage change in average US\$ equivalent of C\$1.00	(13)%
Percentage change in average British pound equivalent of C\$1.00	(6)%
Percentage change in average Euro equivalent of C\$1.00	4%

(1) Effective the first quarter of 2014, we have aligned the reporting period of BlueBay, which resulted in an additional month of earnings being included in 2014.

(2) Pre-tax margin is defined as net income before income taxes divided by Total revenue.

(3) Represents investment advisors and financial consultants of our Canadian and U.S. full-service wealth businesses.

(4) Represents year-end spot balances.

(5) Represents client-facing advisors across all our wealth management businesses.

Client assets – AUA

Table 24

(Millions of Canadian dollars)	2015	2014
AUA, beginning balance	\$ 717,500	\$ 639,200
Net asset flows	(30,600)	16,300
Market impact and other	62,800	62,000
AUA, balance at end of year	\$ 749,700	\$ 717,500

Client assets – AUM

Table 25

(Millions of Canadian dollars)	2015	2014
AUM, beginning balance	\$ 452,300	\$ 387,200
Net asset flows:		
Money market	(4,900)	(5,600)
Fixed income	8,800	14,000
Equity	900	4,100
Multi-asset and other	13,400	16,900
Market impact and other	22,300	35,700
AUM, balance at end of year	\$ 492,800	\$ 452,300

(Millions of Canadian dollars)	2015	2014
Canada ⁽¹⁾		
Money Market	\$ 21,500	\$ 21,600
Fixed Income	34,900	38,700
Equity	79,800	83,200
Multi-asset and other	157,400	147,300
Total Canada	\$ 293,600	\$ 290,800
U.S. ⁽¹⁾		
Money Market	\$ 32,900	\$ 28,500
Fixed Income	90,800	82,500
Equity	152,700	138,200
Multi-asset and other	6,400	3,900
Total U.S.	\$ 282,800	\$ 253,100
Other International ⁽¹⁾		
Money Market	\$ 24,500	\$ 25,900
Fixed Income	26,500	33,800
Equity	93,300	89,200
Multi-asset and other	29,000	24,700
Total International	\$ 173,300	\$ 173,600
Total AUA	\$ 749,700	\$ 717,500

(1) Geographic information is based on the location from where our clients are serviced.

Financial performance

2015 vs. 2014

Net income decreased \$42 million or 4% compared to last year, primarily reflecting higher costs in support of business growth in our Global Asset Management and Canadian Wealth Management businesses, restructuring costs of \$122 million (\$90 million after-tax) largely related to our U.S. & International Wealth Management business, lower transaction volumes, and higher PCL. These factors were partly offset by higher earnings from growth in average fee-based client assets.

Total revenue increased \$462 million or 7%, mainly due to growth in average fee-based client assets resulting from capital appreciation and net sales, and the positive impact of foreign exchange translation. These factors were partly offset by lower transaction volumes.

PCL increased \$27 million mainly due to provisions related to our U.S. & International Wealth Management business.

Non-interest expense increased \$492 million or 10%, mainly reflecting an increase due to the impact of foreign exchange translation, higher costs in support of business growth in our Global Asset Management and Canadian Wealth Management businesses, and the restructuring costs noted above.

2014 vs. 2013

Net income increased \$197 million or 22% from 2013, mainly due to higher earnings from growth in average fee-based client assets resulting from capital appreciation and strong net sales, and lower PCL.

Business line review

Canadian Wealth Management

Canadian Wealth Management includes our full-service Canadian wealth advisory business, which is the largest in Canada as measured by AUA, with over 1,600 investment advisors providing comprehensive advice-based financial solutions to affluent, HNW and UHNW clients. Additionally, we provide discretionary investment management and estate and trust services to our clients through approximately 65 investment counsellors and 91 trust professionals across Canada.

We compete with domestic banks and trust companies, investment counselling firms, bank-owned full service brokerages and boutique brokerages, mutual fund companies and global private banks. In Canada, bank-owned wealth managers continue to be the major players.

Financial performance

Revenue increased \$40 million or 2% from a year ago, mainly due to higher fee-based client assets reflecting net sales and capital appreciation, partly offset by lower transaction volumes, reflecting challenging market conditions in the second half of the year.

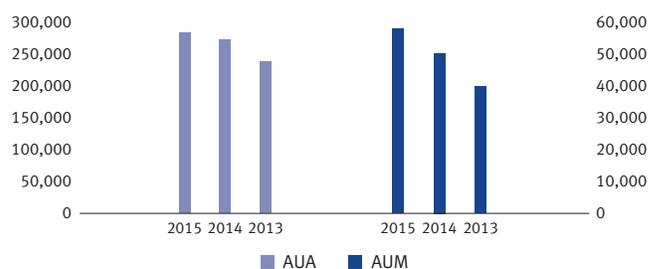
Selected highlights

Table 27

(Millions of Canadian dollars)	2015	2014	2013
Total revenue	\$ 2,226	\$ 2,186	\$ 1,889
Other information			
Total loans and acceptances (1)	1,500	3,000	2,500
Total deposits (1)	13,600	15,300	13,400
AUA	287,800	285,100	251,400
AUM	60,800	55,400	43,600
Average AUA	284,300	272,900	239,100
Average AUM	58,100	50,400	40,000
Total assets under fee-based programs	182,000	166,700	139,400

(1) Represents an average amount, which is calculated using methods intended to approximate the average of the daily balances for the period.

Average AUA and AUM (1) (Millions of Canadian dollars)



(1) Represents average balances, which are more representative of the impact client balances have upon our revenue.

U.S. & International Wealth Management

U.S. Wealth Management includes our private client group, which is the 8th largest full service wealth advisory firm in the U.S., as measured by number of advisors, with over 1,800 financial advisors. Additionally, our correspondent and advisor services businesses deliver clearing and execution services for small to mid-sized independent broker-dealers and registered investment advisor firms. In the U.S., we operate in a fragmented and extremely competitive industry. There are approximately 4,000 registered broker-dealers in the U.S., comprising independent, regional and global players. As previously announced, we completed the acquisition of City National on November 2, 2015, and we are combining U.S. Wealth Management and City National into one line of business effective the first quarter of 2016.

International Wealth Management includes Wealth Management – International and Wealth Management – Asia. We provide customized and integrated trust, banking, credit and investment solutions to HNW and UHNW clients and corporate clients with over 1,400 employees located in 16 countries around the world. Competitors to our International Wealth Management business comprise global wealth managers, traditional offshore private banks, domestic wealth managers and U.S. investment-led private client operations. In the fourth quarter of 2014, we announced a restructuring program designed to transform our global businesses into sustainable and profitable businesses aligned with a conservative risk profile.

Financial performance

Revenue increased \$299 million or 12% from a year ago. In U.S. dollars, revenue decreased \$40 million or 2%, mainly reflecting the impact of the restructuring of our U.S. & International Wealth Management business, lower transaction volumes, and a change in the fair value of our U.S. share-based compensation plan.

Selected highlights

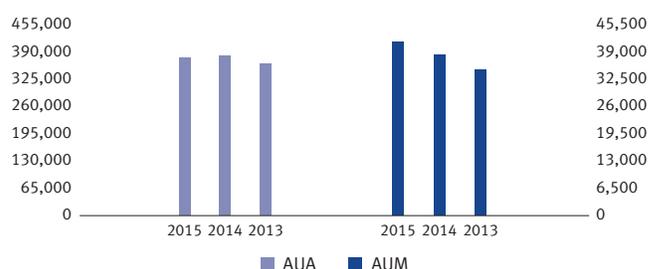
Table 28

(Millions of Canadian dollars, except otherwise noted)	2015	2014	2013
Total revenue	\$ 2,729	\$ 2,430	\$ 2,225
Other information (Millions of U.S. dollars)			
Total revenue	2,181	2,221	2,174
Total loans, guarantees and letters of credit (1)	15,100	14,500	12,100
Total deposits (1)	20,700	19,100	18,000
AUA	353,500	383,700	371,900
AUM	38,500	41,100	35,600
Average AUA	376,500	382,000	361,800
Average AUM	41,500	38,400	34,700
Total assets under fee-based programs (2)	94,500	94,500	83,200

(1) Represents an average amount, which is calculated using methods intended to approximate the average of the daily balances for the period.

(2) Represents amounts related to our U.S. wealth management businesses.

Average AUA and AUM (1) (Millions of U.S. dollars)



(1) Represents average balances, which are more representative of the impact client balances have upon our revenue.

Global Asset Management

Global Asset Management provides global investment management services and solutions for individual and institutional investors in Canada, the U.S., the U.K., Europe and Asia. We provide a broad range of investment management services through mutual, pooled and private funds, fee-based accounts and separately managed portfolios. We distribute our investment solutions through a broad network of bank branches, our self-directed and full service wealth advisory businesses, independent third-party advisors and private banks, and directly to individual clients. We also provide investment solutions directly to institutional clients, including pension plans, insurance companies, corporations, and endowments and foundations.

We are the largest retail fund company in Canada as well as a leading institutional asset manager. We face competition in Canada from banks, insurance companies, asset management organizations and boutique firms. The Canadian fund management industry is large and mature, but still a relatively fragmented industry.

In the U.S., our asset management business offers investment management solutions and services primarily to institutional investors and competes with independent asset management firms, as well as those that are part of national and international banks, and insurance companies.

Internationally, through our leading global capabilities of BlueBay and RBC Global Asset Management®, we offer investment management solutions for institutions and, through private banks including RBC Wealth Management, to HNW and UHNW investors. We face competition from asset managers that are part of international banks as well as national, regional and boutique asset managers in the geographies where we serve clients.

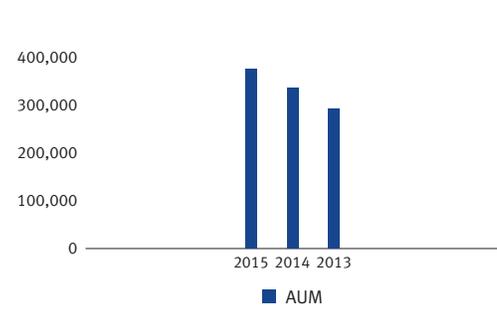
Financial performance

Revenue increased \$123 million or 7% from a year ago, mainly due to an increase of 9% in AUM reflecting strong net sales and capital appreciation, and the positive impact of foreign exchange translation, partly offset by net redemptions in our emerging markets funds.

Selected highlights	Table 29		
(Millions of Canadian dollars)	2015	2014	2013
Total revenue (1)	\$ 1,820	\$ 1,697	\$ 1,373
Other information			
Canadian net long-term mutual fund sales (2)	9,857	10,982	8,064
Canadian net money market mutual fund (redemptions) sales (2)	(605)	(1,229)	(1,348)
AUM	381,700	350,600	306,500
Average AUM	374,700	335,300	292,100

- (1) Effective the first quarter of 2014, we have aligned the reporting period of BlueBay, which resulted in an additional month of earnings being included in 2014.
- (2) As reported to the Investment Funds Institute of Canada. Includes all prospectus-based mutual funds across our Canadian Global Asset Management businesses.

Average AUM (1) (Millions of Canadian dollars)



- (1) Represents average balances, which are more representative of the impact client balances have upon our revenue.

Insurance

Insurance comprises our operations in Canada and globally and operates under two business lines: Canadian Insurance and International Insurance, providing a wide range of life, health, home, auto, travel, wealth, group and reinsurance products and solutions. In Canada, we offer our products and services through our proprietary distribution channels, comprised of the field sales force which includes retail insurance stores, our field sales representatives, advice centres and online, as well as through independent insurance advisors and affinity relationships. Outside Canada, we operate in reinsurance markets globally offering life, accident and annuity reinsurance products. Our competitive environment is discussed below in each business.

Economic and market review

The global insurance industry has adjusted to the effects of the economic crisis such as slow economic growth rates, persistently low interest rates and low inflation rates, and continues to stabilize. The approach of many insurance companies has been to review product features/pricing, conserve capital and reduce expenses. Although these factors continue to put strain on our businesses, product and pricing actions we have taken in recent years, a migration to lower-cost proprietary distribution channels, conservative investment practices and diversified product lines have allowed us to continue to navigate this challenging environment. In addition, recent tax legislation impacting certain foreign affiliates, which became effective on November 1, 2014, has had a negative effect on our financial results.

Highlights

- Ranked as the #1 Banking-based Insurance brand globally, according to the 2015 Brand Finance Banking 500. The annual study, conducted by Brand Finance, ranks the world's biggest banks by their brand value, which reflects the premium generated by the brand in the industry.
- We introduced Pension Plan De-Risking Solutions. Our first offering, Group Annuities, will help employers simplify the management of their defined benefit pension plans. We are leveraging the strengths of partners across RBC to deliver the solution, bringing the best of RBC to our clients.
- Our Reinsurance business has achieved steady growth, ranking us as the 3rd largest life retrocessionaire and we continue to be active in the U.K. annuity longevity reinsurance market.

Outlook and priorities

Overall, moderate growth in the industry is projected over the short to medium term. We expect continued organic business growth as a result of the product and pricing actions taken during the last few years, including increasing volumes through our growing proprietary channels and through our ongoing focus on expense efficiency.

For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2016

- Deepen client relationships through cross-selling by continuing to provide our customers with a comprehensive suite of insurance products and services based on their unique family needs.
- Continue to improve our proprietary channels distribution efficiency through enhancements to performance management processes, a proactive sales culture and enhanced cross-selling initiatives.
- Continue to simplify the way we do business by streamlining all business processes while diligently managing our expenses.
- Pursue select international opportunities, within our risk appetite, with the aim of continuing to grow our core reinsurance business.

(Millions of Canadian dollars, except percentage amounts and as otherwise noted)

	2015	2014	2013
Non-interest income			
Net earned premiums	\$ 3,507	\$ 3,742	\$ 3,674
Investment income (1)	445	938	(17)
Fee income	484	284	271
Total revenue	4,436	4,964	3,928
Insurance policyholder benefits and claims (1)	2,741	3,194	2,326
Insurance policyholder acquisition expense	222	379	458
Non-interest expense	613	579	551
Net income before income taxes	860	812	593
Net income	\$ 706	\$ 781	\$ 595
Revenue by business			
Canadian Insurance	\$ 2,725	\$ 2,911	\$ 1,962
International Insurance	1,711	2,053	1,966
Key ratios			
ROE	44.3%	49.7%	41.4%
Selected average balance sheet information			
Total assets	\$ 13,700	\$ 12,000	\$ 11,900
Attributed capital	1,600	1,550	1,400
Other information			
Premiums and deposits (2)	\$ 5,016	\$ 5,164	\$ 4,924
Canadian Insurance	2,725	2,419	2,344
International Insurance	2,291	2,745	2,580
Insurance claims and policy benefit liabilities	9,110	8,564	\$ 8,034
Fair value changes on investments backing policyholder liabilities (1)	(24)	439	(491)
Embedded value (3)	6,952	6,239	6,302
AUM	800	700	500
Number of employees (FTE)	3,163	3,126	2,965

Estimated impact of U.S. dollar and British pound translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)

	2015 vs. 2014
<i>Increase (decrease):</i>	
Total revenue	\$ 68
PBCAE	75
Non-interest expense	–
Net income	(7)
Percentage change in average US\$ equivalent of C\$1.00	(13)%
Percentage change in average British pound equivalent of C\$1.00	(6)%

(1) Investment income can experience volatility arising from fluctuation of fair value through profit or loss (FVTPL) assets. The investments which support actuarial liabilities are predominantly fixed income assets designated as at FVTPL. Consequently, changes in the fair values of these assets are recorded in investment income in the consolidated statement of income and are largely offset by changes in the fair value of the actuarial liabilities, the impact of which is reflected in insurance policyholder benefits and claims.

(2) Premiums and deposits include premiums on risk-based insurance and annuity products, and individual and group segregated fund deposits, consistent with insurance industry practices.

(3) Embedded value is defined as the sum of value of equity held in our Insurance segment and the value of in-force business (existing policies). For further details, refer to the Key performance and non-GAAP measures section.

Financial performance**2015 vs. 2014**

Net income decreased \$75 million or 10%, mainly due to a change in Canadian tax legislation impacting certain foreign affiliates which became effective November 1, 2014, a lower level of favourable actuarial adjustments in the current year, and higher net claims costs. These factors were partially offset by higher earnings from new U.K. annuity contracts, and a favourable impact of investment-related activities on the Canadian life business.

Total revenue decreased \$528 million or 11%, mainly due to a reduction of \$463 million related to the change in fair value of investments backing our policyholder liabilities resulting from changes in long-term interest rates, and a reduction of revenue related to our retrocession contracts, both of which were largely offset in PBCAE. These factors were partially offset by business growth in Canadian and International insurance, and the positive impact of foreign exchange translation.

PBCAE decreased \$610 million or 17%, mainly due to a reduction of PBCAE related to our retrocession contracts, and the change in fair value of investments backing our policyholder liabilities, both of which were largely offset in revenue. These factors were partially offset by business growth as noted above, a lower level of favourable actuarial adjustments reflecting management actions and assumption changes, and an increase due to the impact of foreign exchange translation.

Non-interest expense increased \$34 million or 6%, mainly due to higher costs to support business growth as well as increased costs related to strategic initiatives.

Premiums and deposits were down \$148 million or 3%, as the reduction related to our retrocession contracts was partly offset by business growth in International and Canadian Insurance.

Embedded value increased \$713 million, reflecting business growth mainly in International Insurance, a favourable change in interest rate assumptions, and the impact of foreign exchange translation. In addition, the transfer of capital through dividend payments from our insurance businesses was lower compared to the prior year. For further details, refer to the Key performance and non-GAAP measures section.

2014 vs. 2013

Net income increased \$186 million or 31% from 2013, mainly due to lower net claims costs, business growth in our European life and U.K. annuity products, and favourable actuarial adjustments reflecting management actions and assumption changes. Our results in 2013 included a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, and a favourable impact from investment-related activities on the Canadian life business.

Business line review

Canadian Insurance

We offer life, health, property and casualty insurance products, as well as wealth accumulation solutions, to individual and group clients across Canada. Our life and health portfolio includes universal life, term life, critical illness, disability, long-term care insurance and group benefits. We offer a wide range of property and casualty products including home, auto and travel insurance. Our travel products include out of province/country medical coverage, and trip cancellation and interruption insurance.

In Canada, we compete against over 200 insurance companies, with the majority of the organizations specializing in either life and health, or property and casualty products. We hold a leading market position in disability insurance products, have a significant presence in life and travel products, and have a growing presence in the home, auto and wealth markets.

Financial performance

Total revenue decreased \$186 million or 6% from last year, mainly due to the change in fair value of investments backing our policyholder liabilities resulting from changes in long-term interest rates, largely offset in PBCAE. This factor was partially offset by business growth in our life, health, home and auto insurance businesses.

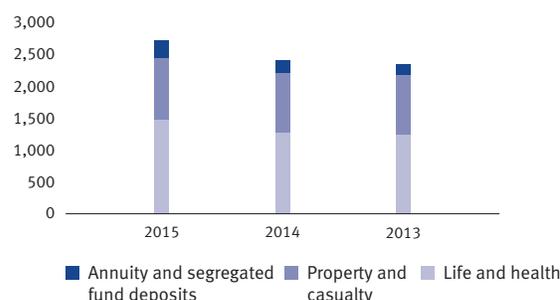
Premiums and deposits increased \$306 million or 13% reflecting business growth.

Selected highlights

Table 31

(Millions of Canadian dollars)	2015	2014	2013
Total revenue	\$ 2,725	\$ 2,911	\$ 1,962
Other information			
Premiums and deposits			
Life and health	1,484	1,266	1,245
Property and casualty	958	951	942
Annuity and segregated fund deposits	283	202	157
Fair value changes on investments backing policyholder liabilities	54	490	(510)

Premiums and deposits (Millions of Canadian dollars)



International Insurance

International Insurance is primarily comprised of our reinsurance businesses which insure risks of other insurance and reinsurance companies. We offer life and health, accident and annuity reinsurance products.

The global reinsurance market is dominated by a few large players, with significant presence in the U.S., the U.K. and the Euro area. The reinsurance industry is competitive but barriers to entry remain high.

Financial performance

Total revenue decreased \$342 million or 17%, mainly due to a reduction of revenue related to our retrocession contracts, largely offset in PBCAE. These factors were partially offset by business growth in our International life and U.K. annuity products and a positive impact of foreign exchange translation.

Premiums and deposits decreased \$454 million, or 17% driven by the reduction related to our retrocession contracts, partially offset by business growth.

Selected highlights

Table 32

(Millions of Canadian dollars)	2015	2014	2013
Total revenue	\$ 1,711	\$ 2,053	\$ 1,966
Other information			
Premiums and deposits			
Life and health	1,483	2,128	2,069
Property and casualty	(4)	6	50
Annuity	812	611	461

Investor & Treasury Services is a specialist provider of asset and treasury services, custody, payments, and transaction banking for financial institutions and other institutional investors worldwide. We deliver custodial, fund accounting, financing and other services to safeguard client assets, maximize liquidity and manage risk across multiple jurisdictions. We also provide short-term funding and liquidity management for RBC. We are a global custodian with a network of offices across North America, Europe and Asia-Pacific. While we compete against the world's largest global custodians, we remain a specialist provider with a focus on asset managers. Our transaction banking business competes primarily with major Canadian banks.

Economic and market review

The highly competitive environment in the global custody industry continued to pressure margins. Low to negative interest rates globally have reduced deposit rates, leading to margin compression from deposit-gathering. Moreover, heightened regulation has driven up compliance and technology costs. However, in the first nine months of the fiscal year, increased client activity and heightened market volatility benefited our foreign exchange forwards business, drove higher transaction volumes, grew our core fees and benefited deposit growth.

Highlights

- Rated by our clients the #1 global custodian for five consecutive years (*Global Custody Survey, Global Investor ISF*).
- Leading offshore provider in Luxembourg and Dublin, and rated UCITS Fund Administrator of the Year. (*Custody Risk, European Awards, 2015*).
- Canada's leading asset management provider with number one ratings across client service, custody, fund administration and Canadian dollar transactions (*Global Custody Survey, Global Investor ISF, 2015*).
- High level of investment in client-focused technology solutions.

Outlook and priorities

In 2016, our aim is to continue to be the leading provider of custody, asset services and cash management in Canada and a leading provider of fund services in select offshore markets. Our focus is on driving top-line growth by leveraging our leadership position in Canada and capabilities in Luxembourg and Ireland to win new business and deepen relationships with existing clients. We are continuing to execute on strategic, transformational initiatives to deliver and enhance client experience. While we expect the global custody industry to remain challenging in the near-term, we are well-positioned to compete in the continuously changing operating environment.

For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2016

- Maintain our leadership position in Canada.
- Leverage the strength of our leading offshore service offering in Luxembourg and Ireland.
- Increase investment in client-focused technology solutions.
- Evolve our business model to enhance client service and improve efficiency.
- Maintain prudent risk management, exercise sound judgment, and awareness of key issues.
- Continue to invest in talent management and employee training and development.
- Leverage Investor & Treasury Services expertise in liquidity management in support of our growth strategies.

(Millions of Canadian dollars, except percentage amounts and as otherwise noted)	2015	2014	2013
Net interest income	\$ 818	\$ 732	\$ 671
Non-interest income	1,220	1,152	1,133
Total revenue ⁽¹⁾	2,038	1,884	1,804
Non-interest expense	1,300	1,286	1,348
Net income before income taxes	738	598	456
Net income	\$ 556	\$ 441	\$ 339
Key Ratios			
ROE	20.3%	19.8%	16.5%
Selected average balance sheet information			
Total assets	\$ 125,300	\$ 94,200	\$ 83,100
Deposits	139,600	112,100	104,300
Client deposits	50,400	42,700	36,100
Wholesale funding deposits	89,200	69,400	68,200
Attributed capital	2,700	2,150	2,000
Other Information			
AUA ⁽²⁾	3,620,300	3,702,800	3,208,800
Average AUA	3,793,000	3,463,000	3,052,600
Number of employees (FTE)	4,774	4,963	5,208

Estimated impact of U.S. dollar, British pound and Euro translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2015 vs. 2014
<i>Increase (decrease):</i>	
Total revenue	\$ (9)
Non-interest expense	(9)
Net income	(1)
Percentage change in average US\$ equivalent of C\$1.00	(13)%
Percentage change in average British pound equivalent of C\$1.00	(6)%
Percentage change in average Euro equivalent of C\$1.00	4%

(1) Effective the third quarter of 2015, we have aligned the reporting period of Investor Services, which resulted in an additional month of earnings being included in 2015. The net impact of the additional month was recorded in revenue.

(2) Represents period-end spot balances.

Financial performance

2015 vs. 2014

Net income increased \$115 million or 26%, primarily due to increased client activity in our foreign exchange forwards business and higher foreign exchange transaction volumes, an additional month of earnings in Investor Services of \$42 million (\$28 million after-tax), increased custodial fees, and higher earnings from growth in client deposits. These factors were partially offset by lower funding and liquidity results.

Total revenue increased \$154 million or 8%, mainly related to higher revenue from our foreign exchange forwards business and higher foreign exchange transaction volumes reflecting increased client activity through the first nine months of the year primarily due to market volatility, an additional month of revenue in Investor Services as noted above, higher custodial fees, and higher net interest income reflecting growth in client deposits. These factors were partially offset by lower funding and liquidity results due to widening credit spreads and unfavourable market conditions.

Non-interest expense increased \$14 million or 1%, largely reflecting continuing benefits from our efficiency management activities.

2014 vs. 2013

Net income was up \$102 million from 2013, largely due to benefits from our efficiency management activities and higher earnings from growth in client deposits. In addition, results in 2013 included a restructuring charge of \$44 million (\$31 million after-tax) related to the integration of Investor Services.

Capital Markets

Capital Markets provides public and private companies, institutional investors, governments and central banks globally with a wide range of capital markets products and services across our two main business lines, Corporate and Investment Banking and Global Markets. Our legacy portfolio is grouped under Other.

In North America, we offer a full suite of products and services which include corporate and investment banking, equity and debt origination and distribution, and structuring and trading. In Canada, we compete mainly with Canadian banks where we are the premier global investment bank and market leader with a strategic presence in all lines of capital markets businesses. In the U.S., we have full industry sector coverage and investment banking product range and compete with large U.S. and global investment banks as well as smaller regional firms. Outside North America, we have a select presence in the U.K. and Europe, and Other international, where we offer a diversified set of capabilities in our key sectors of expertise such as energy, mining and infrastructure and we have expanded into industrial, consumer and health care in Europe. In the U.K. and Europe, we compete in our key sectors of expertise with global and regional investment banks. In Other international, we compete with global and regional investment banks in select products, consisting of fixed income distribution and currencies trading and corporate and investment banking in Australia, Asia, and the Caribbean.

Economic and market review

Global capital markets improved in the first half of fiscal 2015, which contributed to solid Global Markets and Corporate and Investment Banking results. However, market conditions deteriorated throughout the latter half of fiscal 2015, reflecting increased market volatility, primarily due to

the effect of low global oil and commodity prices and diverging monetary policies amongst global central banks, which led to decreased levels of client activity and volumes. Our corporate and investment banking businesses performed well, reflecting economic growth, particularly in the U.S., the low interest rate environment, and our continued focus on origination and increased activity from client-focused strategies. Our equity and fixed income trading businesses performed well, largely reflecting strong results in the first half of fiscal 2015, although markets were challenged throughout the latter half of the year due to increased market volatility.

Highlights

- We continued to focus on the efficient deployment of our capital and growth in our corporate and investment banking businesses, particularly in the U.S. and Europe. We re-allocated capital from trading to corporate and investment banking businesses and managed risks by narrowing the focus of our trading products.
- In Canada, we maintained our market leadership by deepening our existing client relationships despite challenges in both the energy and commodity sectors, gaining new clients by leveraging our strong cross-border capabilities and improving collaboration with Wealth Management to drive operational efficiencies, and offering a full suite of global capabilities. We continued to win significant mandates including acting as exclusive financial advisor to Enbridge Inc. on the transfer of its Canadian liquids pipeline and renewable energy assets, valued at \$30.4 billion, to its partially owned, publicly traded subsidiary Enbridge Income Fund.
- In the U.S., we continued to leverage our key strategic investments made in recent years to expand our corporate and investment banking businesses. We successfully positioned our lending relationships as we continued to focus on origination and increased activity from client-focused strategies. We exited certain proprietary trading strategies in 2014 and continue to ensure that any remaining strategies comply with the Volcker Rule. We continued growing our businesses and won several significant mandates including acting as joint bookrunner on the acquisition financing supporting Permira Advisers Ltd. and the Canadian Pension Board's US\$5.3 billion acquisition of Informatica Corporation, as well as acting as lead financial advisor to Raytheon, one of the world's largest global defense contractors, on its announced definitive agreement with Vista Equity Partners to form a new, jointly owned entity valued at US\$2.3 billion.
- In the U.K. and Europe, we continued to expand our corporate and investment banking businesses. We won new mandates including acting as advisor to the Bazalgette Consortium on the Group's successful bid to provide funding for the £4.2 billion Thames Tideway Tunnel project.
- In Other international, we continued to focus on our corporate and investment banking, fixed income trading distribution and foreign exchange trading capabilities.
- As a result of our successes in each of our regions, we received external recognition as an industry leader and were named or ranked:
 - Best Investment Bank in Canada (*Euromoney Magazine*) for the eighth consecutive year.
 - The largest investment bank in Canada by fees for the first nine months of 2015 (*Dealogic*).
 - The 10th largest investment bank globally and in the Americas (*Thomson Reuters*) by fees for the first nine months of 2015.

Outlook and priorities

In 2016, as a result of strategic investments in our investment banking businesses in recent years, particularly in the U.S. and Europe, we anticipate growth in our investment banking businesses reflecting our focus on client activities. However, we expect that marginal growth in our lending revenue will be impacted by narrower spreads reflecting increased competition, as well as the risk of higher PCL.

Overall we anticipate net improvements in our global markets businesses driven by growth in our fixed income, currencies and commodities businesses as compared to the challenging market conditions in 2015. However, improvements in our businesses will be dependent on growth in the global economy, and stabilizing market conditions. We also anticipate that several tax changes in Canada could negatively impact our earnings, and heightened regulations will unfavourably impact growth in our businesses.

For further details, refer to our Risk management – Top and emerging risks section. For further details on our general economic outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2016

- Maintain our leadership position in Canada by focusing on long-term client relationships, leveraging our global capabilities, and continuing to improve collaboration with Wealth Management.
- Expand and strengthen client relationships in the U.S. by building on our momentum through expanded origination, advisory and distribution activity, and driving cross-selling through our diversified loan book.
- Build on our core strengths in Europe in both Corporate and Investment Banking and Global Markets by continuing to grow and deepen client relationships, and in Asia by optimizing the performance of our existing footprint.
- Optimize capital use to earn high risk-adjusted returns by maintaining both a balanced approach between investment banking and trading revenue and a disciplined approach to managing the risks and costs of our business.
- Manage through the significant changes in the regulatory environment.

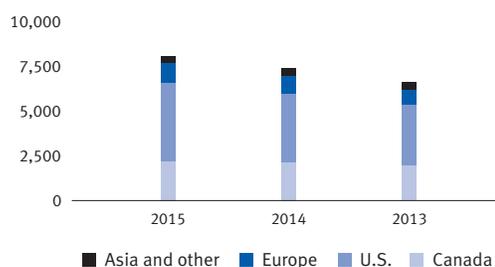
(Millions of Canadian dollars, except percentage amounts and as otherwise noted)	2015	2014	2013
Net interest income (1)	\$ 3,970	\$ 3,485	\$ 2,872
Non-interest income	4,093	3,881	3,708
Total revenue (1)	8,063	7,366	6,580
PCL	71	44	188
Non-interest expense	4,696	4,344	3,856
Net income before income taxes	3,296	2,978	2,536
Net income	\$ 2,319	\$ 2,055	\$ 1,700
Revenue by business			
Corporate and Investment Banking	\$ 3,697	\$ 3,437	\$ 3,014
Global Markets (2)	4,477	3,896	3,314
Other (2)	(111)	33	252
Key ratios			
ROE	13.6%	14.1%	14.1%
Selected average balance sheet information			
Total assets	\$ 477,300	\$ 392,300	\$ 368,300
Trading securities	116,200	103,800	100,800
Loans and acceptances	79,700	64,800	54,700
Deposits	60,300	47,600	38,400
Attributed capital	16,550	14,100	11,500
Other information			
Number of employees (FTE)	3,996	3,917	3,718
Credit information			
Gross impaired loans as a % of average net loans and acceptances	0.37%	0.08%	0.42%
PCL on impaired loans as a % of average net loans and acceptances	0.09%	0.07%	0.34%

Estimated impact of U.S. dollar, British pound and Euro translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2015 vs. 2014
<i>Increase (decrease):</i>	
Total revenue	\$ 602
Non-interest expense	364
Net income	145
Percentage change in average US\$ equivalent of C\$1.00	(13)%
Percentage change in average British pound equivalent of C\$1.00	(6)%
Percentage change in average Euro equivalent of C\$1.00	4%

- (1) The taxable equivalent basis (teb) adjustment for 2015 was \$570 million (2014 – \$492 million, 2013 – \$380 million). For further discussion, refer to the How we measure and report our business segments section of our 2015 Annual Report.
- (2) Effective the first quarter of 2015, we reclassified amounts from Global Markets to Other related to certain proprietary trading strategies which we exited in the fourth quarter of 2014 to comply with the Volcker Rule. Prior period amounts have been revised from those previously presented.

Revenue by region (Millions of Canadian dollars)



Financial performance 2015 vs. 2014

Net income increased \$264 million or 13%, driven by growth in our global markets businesses mainly reflecting increased client activity, continued solid performance in our corporate and investment banking businesses, and the positive impact of foreign exchange translation. These factors were partially offset by lower results in certain legacy portfolios.

Total revenue increased \$697 million or 9%, largely due to the positive impact of foreign exchange translation, growth in our global markets businesses reflecting increased client activity and more favourable market conditions in the first half of the year, and continued solid performance in our corporate and investment banking businesses. These factors were partially offset by lower revenue in certain legacy portfolios. In addition, our prior year trading revenue was unfavourably impacted by the implementation of funding valuation adjustments, and the exit from certain proprietary trading strategies to comply with the Volcker Rule.

PCL increased \$27 million or 61%, primarily due to provisions taken on several accounts. For further details, refer to the Credit quality performance section.

Non-interest expense increased \$352 million or 8%, reflecting an increase due to the impact of foreign exchange translation. Lower variable compensation and lower litigation provisions and related legal costs were mostly offset by higher costs to support business growth.

2014 vs. 2013

Net income increased \$355 million or 21% from 2013, primarily due to higher equity trading revenue reflecting strong market conditions, strong growth in most of our investment banking businesses and higher lending revenue. Lower PCL and the positive impact of foreign exchange translation also contributed to the increase. These factors were partially offset by higher litigation provisions and related legal costs, and higher variable compensation on improved results. In addition, our 2014 results were unfavourably impacted by lower fixed income trading revenue largely driven by the unfavourable impact of the implementation of funding valuation adjustments, and the exit from certain proprietary trading strategies to comply with the Volcker Rule.

Business line review

Corporate and Investment Banking

Corporate and Investment Banking comprises our corporate lending, loan syndications, debt and equity origination, M&A advisory services, private equity, research, client securitization and the global credit businesses. For debt and equity origination, revenue is allocated between Corporate and Investment Banking and Global Markets based on the contribution of each group in accordance with an established agreement.

Financial performance

Corporate and Investment Banking revenue of \$3,697 million increased \$260 million or 8% including the positive impact of foreign exchange translation, as compared to last year.

Investment banking revenue increased \$97 million or 6%, primarily due to strong growth in M&A activity reflecting increased mandates in the U.S. and Europe, and higher debt origination as a result of increased issuance activity mainly in the U.S. Higher loan syndication activity in Europe also contributed to the increase. These factors were partially offset by lower equity origination reflecting decreased client activity in all regions as compared to the strong levels last year, and lower distributions on private equity investments.

Lending and other revenue increased \$163 million or 10%, due to solid lending growth in the U.S and Europe, and strong performance in our securitization businesses.

Selected highlights

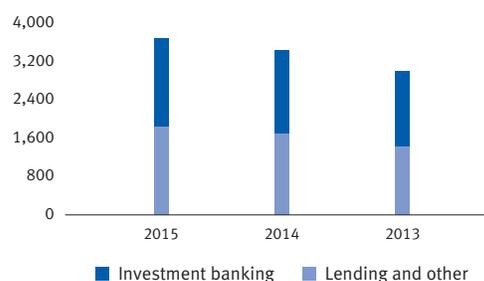
Table 35

(Millions of Canadian dollars)	2015	2014	2013
Total revenue (1)	\$ 3,697	\$ 3,437	\$ 3,014
Breakdown of revenue (1)			
Investment banking	1,833	1,736	1,574
Lending and other (2)	1,864	1,701	1,440
Other information			
Average assets	63,900	49,500	40,000
Average loans and acceptances	56,200	42,500	34,400

(1) The tab adjustment for 2015 was \$25 million (2014 – \$13 million, 2013 – \$2 million). For further discussion, refer to the How we measure and report our business segments section.

(2) Comprises our corporate lending, client securitization, and global credit businesses.

Breakdown of total revenue (Millions of Canadian dollars)



Global Markets

Global Markets comprises our fixed income, foreign exchange, equity sales and trading, repos and secured financing and commodities businesses.

Financial performance

Total revenue of \$4,477 million increased \$581 million or 15%, including the positive impact of foreign exchange translation, as compared to last year.

Revenue in our Fixed income, currencies and commodities business increased \$121 million or 7%, mainly due to higher debt origination reflecting increased client issuance activity in all regions, and higher currencies and commodities trading revenue. These factors were partially offset by lower fixed income trading revenue reflecting challenging market conditions in the second half of the year. In addition, our prior year trading revenue was unfavourably impacted by the implementation of funding valuation adjustments.

Revenue in our Equities business increased \$218 million or 19%, primarily due to higher equities trading revenue reflecting increased client activity primarily in the first half of the year, and volume growth in our cash equities businesses. These factors were partially offset by lower equity origination as compared to the strong levels last year.

Revenue in our Repo and secured financing business increased \$242 million or 24%, mainly reflecting higher client volumes and the positive impact of foreign exchange translation.

Selected highlights

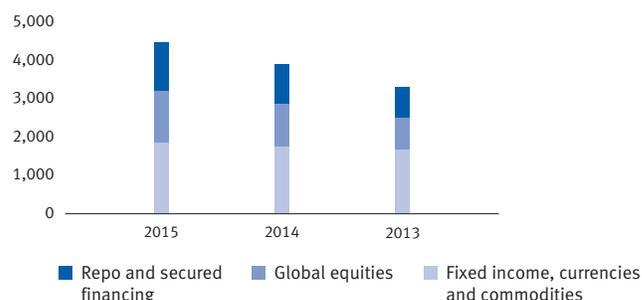
Table 36

(Millions of Canadian dollars)	2015	2014	2013
Total revenue (1)	\$ 4,477	\$ 3,896	\$ 3,314
Breakdown of revenue (1)			
Fixed income, currencies and commodities	1,881	1,760	1,680
Equities	1,336	1,118	856
Repo and secured financing (2)	1,260	1,018	778
Other information			
Average assets	494,400	366,000	343,700

(1) The tab adjustment for 2015 was \$545 million (2014 – \$470 million, 2013 – \$357 million). For further discussion, refer to the How we measure and report our business segments section.

(2) Comprises our secured funding businesses for internal businesses and external clients.

Breakdown of total revenue (Millions of Canadian dollars)



Other

Other includes our legacy portfolio which consists of our bank-owned life insurance (BOLI) stable value products, U.S. commercial mortgage-backed securities, U.S. auction rate securities (ARS), structured rates in Asia, and certain proprietary trading strategies. In recent years, in order to optimize our capital employed to improve our risk-adjusted returns and reduce our liquidity risk on various products, we have significantly reduced several of our legacy portfolios. Our legacy portfolios decreased by 37% as compared to last year.

Financial performance

Revenue decreased \$144 million as compared to last year, mainly in certain legacy portfolios, including the exit of certain proprietary trading strategies last year to comply with the Volcker Rule.

Corporate Support

Corporate Support

Table 37

(Millions of Canadian dollars)	2015	2014	2013
Net interest income (loss) ⁽¹⁾	\$ (514)	\$ (313)	\$ (124)
Non-interest income (loss)	210	164	(12)
Total revenue ⁽¹⁾	(304)	(149)	(136)
PCL	(3)	(2)	3
Non-interest expense	125	89	72
Net income (loss) before income taxes ⁽¹⁾	(426)	(236)	(211)
Income taxes (recoveries) ⁽¹⁾	(824)	(405)	(653)
Net income ⁽²⁾	\$ 398	\$ 169	\$ 442
Other information			
Number of employees (FTE)	13,301	12,460	11,943

(1) Teb adjusted.

(2) Net income reflects income attributable to both shareholders and Non-Controlling Interests (NCI). Net income attributable to NCI for the year ended October 31, 2015 was \$94 million (October 31, 2014 – \$93 million; October 31, 2013 – \$93 million).

Due to the nature of activities and consolidation adjustments reported in this segment, we believe that a comparative period analysis is not relevant. The following identifies material items affecting the reported results in each period.

Net interest income (loss) and income taxes (recoveries) in each period in Corporate Support include the deduction of the teb adjustments related to the gross-up of income from Canadian taxable corporate dividends recorded in Capital Markets. The amount deducted from net interest income (loss) was offset by an equivalent increase in income taxes (recoveries). The teb amount for the year ended October 31, 2015 was \$570 million as compared to \$492 million last year and \$380 million for the year ended October 31, 2013.

In addition to the teb impacts noted above, the following identifies the other material items affecting the reported results in each period.

2015

Net income was \$398 million, largely reflecting net favourable tax adjustments, asset/liability management activities, a gain of \$108 million (before- and after-tax) from the wind-up of a U.S.-based funding subsidiary that resulted in the release of CTA, and a gain on sale of a real estate asset. These factors were partially offset by transaction costs related to our acquisition of City National.

2014

Net income was \$169 million largely reflecting asset/liability management activities and gains on private equity investments mainly related to the sale of a legacy portfolio, partially offset by net unfavourable tax adjustments.

2013

Net income was \$442 million largely reflecting net favourable tax adjustments, including \$214 million of income tax adjustments related to previous years, and asset/liability management activities.

Results by geographic segment (1)

For geographic reporting, our segments are grouped into the following: Canada, U.S., and Other International. Transactions are primarily recorded in the location that best reflects the risk due to negative changes in economic conditions and prospects for growth due to positive economic changes. The following table summarizes our financial results by geographic region.

Table 38

(Millions of Canadian dollars)	2015				2014 (2)				2013 (2)			
	Canada	U.S.	Other International	Total	Canada	U.S.	Other International	Total	Canada	U.S.	Other International	Total
Net interest income	\$ 11,538	\$ 1,977	\$ 1,256	\$ 14,771	\$ 11,128	\$ 1,697	\$ 1,291	\$ 14,116	\$ 10,961	\$ 1,448	\$ 840	\$ 13,249
Non-interest income	10,889	4,619	5,042	20,550	10,488	4,257	5,247	19,992	8,601	3,810	5,022	17,433
Total revenue	\$ 22,427	\$ 6,596	\$ 6,298	\$ 35,321	\$ 21,616	\$ 5,954	\$ 6,538	\$ 34,108	\$ 19,562	\$ 5,258	\$ 5,862	\$ 30,682
PCL	933	98	66	1,097	922	52	190	1,164	892	78	267	1,237
PBCAE	1,976	–	987	2,963	2,188	1	1,384	3,573	1,425	10	1,349	2,784
Non-interest expense	10,139	4,762	3,737	18,638	9,650	4,199	3,812	17,661	9,210	3,663	3,341	16,214
Income taxes	1,727	649	221	2,597	1,983	660	63	2,706	1,710	370	25	2,105
Net income	\$ 7,652	\$ 1,087	\$ 1,287	\$ 10,026	\$ 6,873	\$ 1,042	\$ 1,089	\$ 9,004	\$ 6,325	\$ 1,137	\$ 880	\$ 8,342

(1) For further details, refer to Note 30 of our audited 2015 Annual Consolidated Financial Statements.

(2) Amounts have been revised from those previously presented.

2015 vs. 2014

Net income in Canada was up \$779 million or 11% from the prior year, mainly due to solid volume growth and strong fee-based revenue growth across most businesses in Canadian Banking, a lower effective tax rate reflecting net favourable income tax adjustments, and higher earnings in Investor & Treasury Services. A gain of \$108 million (before- and after-tax) from the wind-up of a U.S.-based funding subsidiary that resulted in the release of CTA also contributed to the increase. These factors were partially offset by higher costs in support of business growth, and lower spreads.

U.S. net income increased \$45 million or 4% compared to last year, primarily due to the positive impact of foreign exchange translation, growth in our global markets businesses reflecting increased client activity and more favourable market conditions in the first half of the year, and higher results in most corporate and investment banking businesses. Lower litigation provisions and related legal costs in Capital Markets also contributed to the increase. These factors were partially offset by higher costs in support of business growth.

Other International net income was up \$198 million or 18% from the prior year, mainly due to lower provisions in our Caribbean portfolios, and higher lending activity in Europe. These factors were partially offset by restructuring costs related to our U.S. & International Wealth Management business. In addition, our results last year were unfavourably impacted by a loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean.

2014 vs. 2013

Net income in Canada was up \$548 million or 9% as compared to 2013, mainly due to solid volume growth across most of our businesses in Canadian Banking, and higher earnings from growth in average fee-based client assets resulting from capital appreciation and strong net sales in Wealth Management. Strong fee-based revenue growth primarily attributable to higher mutual fund distribution fees and card services revenue in Canadian Banking also contributed to the increase. These factors were partially offset by higher costs in support of business growth including higher staff and marketing costs, and the unfavourable impact of the implementation of the funding valuation adjustments. In addition, results in 2013 benefited from net favourable tax adjustments. Our results in 2013 were also unfavourably impacted by a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies.

U.S. net income was down \$95 million or 8% as compared to 2013, as 2013 benefited from favourable income tax adjustments, including \$214 million related to prior years. Strong growth in our lending portfolio, strong equity markets and our continued focus on equity origination and increased activity from client-focused strategies were partly offset by higher litigation provisions and related legal costs in Capital Markets.

Other International net income was up \$209 million or 24% as compared to 2013, largely due to lower PCL in Capital Markets, higher trading revenue in Europe, and higher lending in Capital Markets. These factors were partially offset by a loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean. In addition, our results in 2013 were unfavourably impacted by a restructuring charge of \$44 million related to the integration of Investor Services, primarily in Europe.

Quarterly financial information

Fourth quarter 2015 performance

Q4 2015 vs. Q4 2014

Fourth quarter net income of \$2,593 million was up \$260 million or 11%, from last year. Diluted EPS of \$1.74 was up \$0.17 and ROE of 17.9% was down 110 bps. Our fourth quarter earnings reflected solid earnings growth in our Capital Markets and Personal & Commercial Banking segments, a lower effective tax rate due to net favourable tax adjustments, lower PCL, and the impact of foreign exchange translation. These factors were partially offset by lower funding and liquidity results in Investor & Treasury Services due to widening credit spreads and unfavourable market conditions, and restructuring costs and lower transaction volumes in Wealth Management.

Total revenue decreased \$363 million or 4%, mainly due to a change in the fair value of investments backing our policyholder liabilities, and a reduction in revenue related to our retrocession contracts, both of which were largely offset in PBCAE, in our Insurance segment. Lower equity origination revenue reflecting decreased client issuance activity, and lower fixed income trading revenue primarily due to unfavourable

market conditions which negatively impacted Capital Markets revenue, while lower transaction volumes in Wealth Management, and lower spreads in Personal & Commercial Banking also contributed to the decrease in revenue. These factors were partly offset by the positive impact of foreign exchange translation, and business growth primarily in our life, annuity, home and auto insurance businesses, higher equity trading revenue in Capital Markets reflecting increased client activity, and solid volume growth across most businesses in Canadian Banking. In addition, our prior year revenue was unfavourably impacted by the implementation of funding valuation adjustments, and the exit from certain proprietary trading strategies to comply with the Volcker Rule in Capital Markets, as well as favourable net cumulative accounting adjustments in Canadian Banking.

Total PCL decreased \$70 million from last year, mainly reflecting lower provisions in our Caribbean portfolios due to provisions of \$50 million on our Caribbean impaired residential mortgage portfolio included in the prior year. Lower provisions in our Canadian commercial lending portfolio also contributed to the decrease. The PCL ratio of 23 bps decreased 8 bps from last year.

PBCAE decreased \$460 million or 61%, largely reflecting a change in fair value of investments backing our policyholder liabilities, and a reduction of PBCAE related to our retrocession contracts, both of which were largely offset in revenue. These factors were partially offset by business growth as noted above.

Non-interest expense increased \$307 million or 7%, primarily reflecting the impact of foreign exchange translation, higher costs in support of business growth, and restructuring costs of \$46 million (\$38 million after-tax) largely related to our U.S. & International Wealth Management business, including the sale of RBC Suisse.

Income tax expense decreased \$400 million or 65% from last year, and the effective income tax rate decreased from 20.8% last year to 7.6%, primarily due to net favourable tax adjustments in Corporate Support and Capital Markets.

Q4 2015 vs. Q3 2015

Net income of \$2,593 million increased \$118 million, or 5% compared to the prior quarter, largely due to a lower effective tax rate reflecting net favourable tax adjustments, and higher earnings in Insurance and Capital Markets. These factors were partly offset by lower funding and liquidity results in Investor & Treasury Services, and restructuring costs in Wealth Management as noted above.

Quarterly results and trend analysis

Our quarterly results are impacted by a number of trends and recurring factors, which include seasonality of certain businesses, general economic and market conditions, and fluctuations in the Canadian dollar relative to other currencies. The following table summarizes our results for the last eight quarters (the period):

Quarterly results ⁽¹⁾					Table 39			
(Millions of Canadian dollars, except per share and percentage amounts)	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	\$ 3,800	\$ 3,783	\$ 3,557	\$ 3,631	\$ 3,560	\$ 3,647	\$ 3,449	\$ 3,460
Non-interest income	4,219	5,045	5,273	6,013	4,822	5,343	4,827	5,000
Total revenue	\$ 8,019	\$ 8,828	\$ 8,830	\$ 9,644	\$ 8,382	\$ 8,990	\$ 8,276	\$ 8,460
PCL	275	270	282	270	345	283	244	292
PBCAE	292	656	493	1,522	752	1,009	830	982
Non-interest expense	4,647	4,635	4,736	4,620	4,340	4,602	4,332	4,387
Net income before income taxes	\$ 2,805	\$ 3,267	\$ 3,319	\$ 3,232	\$ 2,945	\$ 3,096	\$ 2,870	\$ 2,799
Income taxes	212	792	817	776	612	718	669	707
Net income	\$ 2,593	\$ 2,475	\$ 2,502	\$ 2,456	\$ 2,333	\$ 2,378	\$ 2,201	\$ 2,092
EPS – basic	\$ 1.74	\$ 1.66	\$ 1.68	\$ 1.66	\$ 1.57	\$ 1.59	\$ 1.47	\$ 1.39
– diluted	1.74	1.66	1.68	1.65	1.57	1.59	1.47	1.38
Segments – net income (loss)								
Personal & Commercial Banking	\$ 1,270	\$ 1,281	\$ 1,200	\$ 1,255	\$ 1,151	\$ 1,138	\$ 1,115	\$ 1,071
Wealth Management	255	285	271	230	285	285	278	235
Insurance	225	173	123	185	256	214	154	157
Investor & Treasury Services	88	167	159	142	113	110	112	106
Capital Markets	555	545	625	594	402	641	507	505
Corporate Support	200	24	124	50	126	(10)	35	18
Net income	\$ 2,593	\$ 2,475	\$ 2,502	\$ 2,456	\$ 2,333	\$ 2,378	\$ 2,201	\$ 2,092
Effective income tax rate	7.6%	24.2%	24.6%	24.0%	20.8%	23.2%	23.3%	25.3%
Period average US\$ equivalent of C\$1.00	\$ 0.758	\$ 0.789	\$ 0.806	\$ 0.839	\$ 0.900	\$ 0.925	\$ 0.907	\$ 0.926

(1) Fluctuations in the Canadian dollar relative to other foreign currencies have affected our consolidated results over the period.

Seasonality

Seasonal factors may impact our results in certain quarters. The first quarter has historically been seasonally stronger for our capital markets businesses. The second quarter has fewer days than the other quarters, which generally results in a decrease in net interest income and certain expense items. The third quarter results for Investor & Treasury Services are generally favourably impacted by higher securities lending as a result of the European dividend season. The third and fourth quarters include the summer months during which market activity generally tends to slow, negatively impacting the results of our capital markets, brokerage and investment management businesses.

Specified items affecting our consolidated results

- In the second quarter of 2015, our results included a gain of \$108 million (before- and after-tax) from the wind-up of a U.S.-based funding subsidiary that resulted in the release of foreign currency translation adjustment that was previously booked in other components of equity.
- In the third quarter of 2014, our results included a loss of \$40 million (before- and after-tax) which includes foreign currency translation related to the closing of the sale of RBC Jamaica.
- In the first quarter of 2014, our results included a loss of \$60 million (before- and after-tax) related to the announced sale of RBC Jamaica, as well as a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean.

Trend analysis

The Canadian and U.S. economies have generally improved over the period, reflecting solid consumer spending, stronger labour markets and firm housing market activity. Since the third quarter of 2014, growth in Canada has moderated with growth contracting in the first half of calendar 2015 due to the sharp decline in global oil prices, and slow export activity. Global equity indices experienced volatility throughout the period resulting from the possibility of Euro area recession, the lower global oil prices, and diverging monetary policies amongst global central banks. For further details, refer to the Economic and market review and outlook section.

Earnings have generally trended upwards over the period, driven by solid volume growth and higher fee-based revenue growth in our Canadian Banking businesses, and higher earnings from growth in average fee-based client assets reflecting capital appreciation and strong net sales in Wealth Management. Capital Markets results have generally trended upwards since the first quarter of 2014, and were negatively impacted in the fourth quarter of 2014 by the exit from certain proprietary trading strategies to comply with the Volcker Rule and the implementation of funding valuation adjustments. Results in our Insurance segment have fluctuated in 2015, as they were impacted by an unfavourable change in Canadian tax legislation impacting certain foreign affiliates, which became effective November 1, 2014. Investor & Treasury Services results have generally trended upwards over the period largely due to increased client activity in our foreign exchange business and higher foreign exchange transaction volumes. Investor & Treasury Services results in the third quarter of 2015 benefited from an additional month of earnings as a result of aligning the reporting periods, while results in the fourth quarter of 2015 were impacted by lower funding and liquidity results due to widening credit spreads and unfavourable market conditions.

Revenue has generally fluctuated over the period mostly due to the change in fair value of investments backing our policyholder liabilities, which is largely offset in PBCAE. Solid volume growth and higher fee-based revenue growth in our Canadian Banking businesses, and growth in average fee-based client assets in Wealth Management have increased revenue over the period. Trading revenue has generally trended upwards since the first quarter of 2014, and was unfavourably impacted in the fourth quarter of 2014 by the exit of certain proprietary trading strategies and the implementation of funding valuation adjustments. Trading revenue in the second half of 2015 was negatively impacted due to widening credit spreads. Net interest income has trended upwards over the period, largely due to solid volume growth across our Canadian Banking businesses, and higher trading-related net interest income and solid lending activity in Capital Markets. Starting in the first quarter of 2014, the positive impact of foreign exchange translation due to a generally weaker Canadian dollar has also contributed to the increase in revenue. Insurance revenue is primarily impacted by changes in the fair value of investments backing our policyholder liabilities, which is largely offset in PBCAE.

Asset quality remained strong over the period despite increased lending activity, with PCL remaining relatively stable over the period. The fourth quarter of 2014 included additional provisions in Personal & Commercial Banking related to our impaired residential mortgages portfolio in the Caribbean. Wealth Management had provisions related to our U.S. & International Wealth Management business starting in the first quarter of 2014. PCL in Capital Markets has fluctuated over the period.

PBCAE has fluctuated quarterly as it includes the changes to the fair value of investments backing our policyholder liabilities, which is largely offset in revenue. PBCAE has also increased due to business growth in our Insurance businesses, as well as actuarial liability adjustments and generally lower claims costs over the period.

While we continue to focus on efficiency management activities, non-interest expense has generally trended upwards over the period, mostly to support business growth. Restructuring costs related to our U.S. & International Wealth Management business have increased non-interest expense since the fourth quarter of 2014. Non-interest expense in 2014 was impacted by the loss related to the sale of RBC Jamaica and a provision in the Caribbean. Since the first quarter of 2014, non-interest expense has increased due to the impact of foreign exchange translation generally reflecting the weaker Canadian dollar.

Our effective income tax rate has fluctuated over the period, mostly due to varying levels of income being reported in jurisdictions with different tax rates, as well as fluctuating levels of income from tax-advantaged sources such as Canadian taxable corporate dividends. Our effective income tax rate has generally been impacted over the period by higher earnings before income taxes, increased earnings in higher tax jurisdictions, and by net favourable tax adjustments.

The following table shows our condensed balance sheet:

Table 40

(Millions of Canadian dollars)	2015	2014	2013
Assets ⁽¹⁾			
Cash and due from banks	\$ 12,452	\$ 17,421	\$ 15,550
Interest-bearing deposits with banks	22,690	8,399	9,039
Securities	215,508	199,148	182,710
Assets purchased under reverse repurchase agreements and securities borrowed	174,723	135,580	117,517
Loans			
Retail	348,183	334,269	320,666
Wholesale	126,069	102,954	90,143
Allowance for loan losses	(2,029)	(1,994)	(1,959)
Segregated fund net assets	830	675	513
Other – Derivatives	105,626	87,402	74,822
– Other	70,156	56,696	50,744
Total assets	\$ 1,074,208	\$ 940,550	\$ 859,745
Liabilities ⁽¹⁾			
Deposits	\$ 697,227	\$ 614,100	\$ 563,079
Segregated fund liabilities	830	675	513
Other – Derivatives	107,860	88,982	76,745
– Other	196,985	174,431	162,505
Subordinated debentures	7,362	7,859	7,443
Total liabilities	1,010,264	886,047	810,285
Equity attributable to shareholders	62,146	52,690	47,665
Non-controlling interests	1,798	1,813	1,795
Total equity	63,944	54,503	49,460
Total liabilities and equity	\$ 1,074,208	\$ 940,550	\$ 859,745

(1) Foreign currency-denominated assets and liabilities are translated to Canadian dollars.

2015 vs. 2014

Total assets were up \$134 billion or 14% from last year, primarily reflecting an increase of \$96 billion due to the impact of foreign exchange translation as a result of the weaker Canadian dollar.

Interest-bearing deposits with banks increased \$14 billion, largely reflecting higher deposits with central banks.

Securities were up \$16 billion or 8% compared to last year, primarily reflecting an increase due to the impact of foreign exchange translation, and an increase in government debt securities largely reflecting our management of interest rate risk, partially offset by a decrease in equity trading positions mainly due to regulatory requirements and market conditions.

Assets purchased under reverse repurchase agreements (reverse repos) and securities borrowed increased \$39 billion or 29%, mainly attributable to an increase due to the impact of foreign exchange translation and increased client and business activities.

Loans were up \$37 billion or 8%, largely due to volume growth in wholesale loans and residential mortgages, and an increase due to the impact of foreign exchange translation.

Derivative assets were up \$18 billion or 21%, mainly attributable to the increase due to the impact of foreign exchange translation and higher fair values on interest rate swaps. These factors were partially offset by lower fair values on foreign exchange cross-currency interest rate contracts and increased financial netting.

Other assets were up \$13 billion or 24%, largely reflecting higher cash collateral requirements and an increase due to the impact of foreign exchange translation.

Total liabilities were up \$124 billion or 14% from last year, primarily reflecting an increase of \$96 billion due to the impact of foreign exchange translation as a result of the weaker Canadian dollar.

Deposits increased \$83 billion or 14%, mainly reflecting an increase due to the impact of foreign exchange translation and the issuances of fixed term notes and covered bonds to satisfy our funding requirements. Growth in business and retail deposits also contributed to the increase.

Derivative liabilities were up \$19 billion or 21%, mainly attributable to the increase due to the impact of foreign exchange translation and higher fair values on interest rate swaps. These factors were partially offset by lower fair values on foreign exchange cross-currency interest rate contracts and increased financial netting.

Other liabilities increased \$23 billion or 13%, mainly reflecting an increase due to the impact of foreign exchange translation, higher obligations related to repurchase agreements largely reflecting increased client and business activities, and an increase in cash collateral requirements. These factors were partly offset by lower obligations related to securities sold short.

Total equity increased \$9 billion or 17%, largely reflecting earnings, net of dividends.

In the normal course of business, we engage in a variety of financial transactions that, for accounting purposes, are not recorded on our Consolidated Balance Sheets. Off-balance sheet transactions are generally undertaken for risk, capital and funding management purposes which benefit us and our clients. These include transactions with structured entities and may also include the issuance of guarantees. These transactions give rise to, among other risks, varying degrees of market, credit, liquidity and funding risk, which are discussed in the Risk management section.

We use structured entities to securitize our financial assets as well as assist our clients in securitizing their financial assets. These entities are not operating entities, typically have no employees, and may or may not be recorded on our Consolidated Balance Sheets.

In the normal course of business, we engage in a variety of financial transactions that may qualify for derecognition. We apply the derecognition rules to determine whether we have effectively transferred substantially all the risks and rewards or control associated with the financial assets to a third party. If the transaction meets specific criteria, it may qualify for full or partial derecognition from our Consolidated Balance Sheets.

Securitized assets of our financial assets

We periodically securitize our credit card receivables, residential and commercial mortgage loans and bond participation certificates primarily to diversify our funding sources, to enhance our liquidity position and for capital purposes. We also securitize residential and commercial mortgage loans for sales and trading activities.

We securitize our credit card receivables, on a revolving basis, through a consolidated structured entity. We securitize single and multiple-family residential mortgages through the National Housing Act Mortgage-Backed Securities (NHA MBS) program. The majority of our securitization activities are recorded on our Consolidated Balance Sheets as we do not meet the derecognition criteria. During 2015, we derecognized \$967 million of purchased mortgages where both the NHA MBS and the residual interests in the mortgages were sold to third parties resulting in the transfer of substantially all of the risks and rewards (2014 – \$nil). For additional details of our securitization activities, refer to Note 6 and Note 7 of our audited 2015 Annual Consolidated Financial Statements.

We periodically securitize residential mortgage loans for the Canadian social housing program through the NHA MBS program, which are derecognized from our Consolidated Balance Sheets when sold to third party investors. During 2015, we securitized \$112 million of residential mortgage loans for the Canadian social housing program (2014 – \$158 million).

We also periodically securitize commercial mortgages by selling them in collateral pools, which meet certain diversification, leverage and debt coverage criteria, to structured entities, one of which is sponsored by us. Securitized commercial mortgage loans are derecognized from our Consolidated Balance Sheets as we have transferred substantially all of the risk and rewards of ownership of the securitized assets. Our continuing involvement with the transferred assets is limited to servicing the underlying commercial mortgages sold to our sponsored structured entity. As at October 31, 2015, there were \$1.1 billion of commercial mortgages outstanding related to these securitization activities (October 31, 2014 – \$1.3 billion). During 2015, we securitized \$195 million of commercial mortgages which were sold to our sponsored entity (2014 – \$173 million).

In prior years, we participated in bond securitization activities where we purchased government, government related and corporate bonds and repackaged those bonds in trusts that issue participation certificates, which were sold to third party investors. Securitized bonds are derecognized from our Consolidated Balance Sheets as we have transferred substantially all of the risk and rewards of ownership of the securitized assets. Our continuing involvement with the transferred assets is limited to servicing the underlying bonds. As at October 31, 2015, there were \$138 million of bond participation certificates outstanding related to these prior period securitization activities (October 31, 2014 – \$356 million). We did not securitize bond participation certificates during 2015 or 2014.

Involvement with unconsolidated structured entities

In the normal course of business, we engage in a variety of financial transactions with structured entities to support our customers' financing and investing needs, including securitization of client financial assets, creation of investment products, and other types of structured financing.

We have the ability to use credit mitigation tools such as third party guarantees, credit default swaps, and collateral to mitigate risks assumed through securitization and re-securitization exposures. The process in place to monitor the credit quality of our securitization and re-securitization exposures involves, among other things, reviewing the performance of the underlying assets. We affirm our ratings each quarter and formally confirm or assign a new rating at least annually. For further details on our activities to manage risks, refer to the Risk management section.

Below is a description of our activities with respect to certain significant unconsolidated structured entities. For a complete discussion of our interests in consolidated and unconsolidated structured entities, refer to Note 7 of our audited 2015 Annual Consolidated Financial Statements.

RBC-administered multi-seller conduits

We administer multi-seller conduits which are used primarily for the securitization of our clients' financial assets. We are involved in these conduit markets because our clients value these transactions. Our clients primarily use multi-seller conduits to diversify their financing sources and to reduce funding costs by leveraging the value of high-quality collateral. The conduits offer us a favourable revenue stream, risk-adjusted return and cross-selling opportunities.

We provide services such as transaction structuring, administration, backstop liquidity facilities and partial credit enhancements to the multi-seller conduits. Fee revenue for all such services amounted to \$213 million during the year (2014 – \$168 million). We do not maintain any ownership or retained interests in these multi-seller conduits and have no rights to, or control of, their assets.

Our total commitment to the conduits in the form of backstop liquidity and credit enhancement facilities is shown below. The total committed amount of these facilities exceeds the total amount of the maximum assets that may have to be purchased by the conduits under the purchase agreements. As a result, the maximum exposure to loss attributable to our backstop liquidity and credit enhancement facilities is less than the total committed amounts of these facilities.

Liquidity and credit enhancement facilities

Table 41

As at October 31 (Millions of Canadian dollars)	2015				2014 (4)			
	Notional of committed amounts (1)	Allocable notional amounts	Outstanding loans (2)	Maximum exposure to loss (3)	Notional of committed amounts (1)	Allocable notional amounts	Outstanding loans (2)	Maximum exposure to loss (3)
Backstop liquidity facilities	\$ 37,770	\$ 34,163	\$ 764	\$ 34,927	\$ 31,019	\$ 28,056	\$ 864	\$ 28,920
Credit enhancement facilities	2,974	2,843	–	2,843	2,177	2,099	–	2,099
Total	\$ 40,744	\$ 37,006	\$ 764	\$ 37,770	\$ 33,196	\$ 30,155	\$ 864	\$ 31,019

(1) Based on total committed financing limit.

(2) Net of allowance for loan losses and write-offs.

(3) Not presented in the table above are derivative assets with a fair value of \$19 million (2014 – \$nil) which are a component of our total maximum exposure to loss from our interests in the multi-seller conduits. Refer to Note 7 of our audited 2015 Annual Consolidated Financial Statements for more details.

(4) Certain amounts have been revised from those previously reported.

As at October 31, 2015, the notional amount of backstop liquidity facilities we provide increased by \$6,751 million or 22% from last year. Total loans extended to the multi-seller conduits under the backstop liquidity facilities decreased by \$100 million from last year primarily due to principal repayments which were offset by exchange rate fluctuations. The partial credit enhancement facilities we provide increased by \$797 million from last year. The changes in both the amount of backstop liquidity facilities and credit enhancement facilities provided to the multi-seller conduits as compared to last year primarily reflect increases related to exchange rate fluctuations and the outstanding securitized assets of the multi-seller conduits.

Maximum exposure to loss by client type

Table 42

As at October 31 (Millions)	2015			2014		
	(US\$)	(C\$)	Total (C\$)	(US\$)	(C\$)	Total (C\$)
Outstanding securitized assets						
Credit cards	\$ 4,679	\$ 510	\$ 6,628	\$ 5,768	\$ 510	\$ 7,011
Auto loans and leases	8,606	2,352	13,604	8,154	1,793	10,983
Student loans	3,473	–	4,541	2,536	–	2,858
Trade receivables	2,175	112	2,956	2,094	112	2,472
Asset-backed securities	584	–	764	767	–	864
Equipment receivables	1,362	–	1,781	1,301	–	1,466
Consumer loans	706	–	923	–	–	–
Dealer floor plan receivables	1,261	903	2,552	1,053	771	1,958
Fleet finance receivables	441	377	954	436	377	869
Insurance premiums	128	153	320	127	–	144
Residential mortgages	–	1,020	1,020	–	1,275	1,275
Transportation finance	1,204	153	1,727	857	153	1,119
Total	\$ 24,619	\$ 5,580	\$ 37,770	\$ 23,093	\$ 4,991	\$ 31,019
Canadian equivalent	\$ 32,190	\$ 5,580	\$ 37,770	\$ 26,028	\$ 4,991	\$ 31,019

Our overall exposure increased by 22% compared to last year reflecting an increase in the outstanding securitized assets of the multi-seller conduits and exchange rate fluctuations. Correspondingly, total assets of the multi-seller conduits increased by \$6,616 million or 22% over last year, primarily due to increases in the Auto loans and leases, Student loans, Consumer loans, Transportation finance, Dealer floor plan and Trade receivables asset classes, which were partially offset by decreases in Credit cards and Residential mortgages asset classes. 100% of multi-seller conduits assets were internally rated A or above, consistent with last year. All transactions funded by the unconsolidated multi-seller conduits are internally rated using a rating system which is largely consistent with that of the external rating agencies.

Multiple independent debt rating agencies review all of the transactions in the multi-seller conduits. Transactions financed in two U.S. multi-seller conduits are reviewed by Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch). One U.S. multi-seller conduit is reviewed by S&P. Transactions in the Canadian multi-seller conduits are reviewed by Dominion Bond Rating Services (DBRS) and Moody's. Each applicable rating agency also reviews ongoing transaction performance on a monthly basis and may publish reports detailing portfolio and program information related to the conduits.

As at October 31, 2015, the total asset-backed commercial paper (ABCP) issued by the conduits amounted to \$25.5 billion, an increase of \$5.7 billion or 29% from last year. The increase in the amount of ABCP issued by the multi-seller conduits compared to last year is primarily due to an increase in the outstanding securitized assets of the multi-seller conduits and exchange rate fluctuations. The rating agencies that rate the ABCP rated 71% (October 31, 2014 – 73%) of the total amount issued within the top ratings category and the remaining amount in the second highest ratings category.

We sometimes purchase ABCP issued by the multi-seller conduits in our capacity as a placement agent in order to facilitate overall program liquidity. As at October 31, 2015, the fair value of our inventory was \$17 million, a decrease of \$25 million from last year. The fluctuations in inventory held reflect normal trading activity. This inventory is classified as Securities – Trading on our Consolidated Balance Sheets.

Structured finance

We invest in ARS of trusts which fund their long-term investments in student loans by issuing short-term senior and subordinated notes. Our maximum exposure to loss in these ARS trusts as at October 31, 2015 was \$546 million (October 31, 2014 – \$913 million). The decrease in our maximum exposure to loss is primarily related to the sale of ARS. Interest income from the ARS investments, which is reported in Net-interest income was, \$6.9 million during the year (2014 – \$7.2 million).

We also provide liquidity facilities to certain municipal bond Tender Option Bond (TOB) trusts in which we have an interest but do not consolidate because the residual certificates issued by the TOB trusts are held by third parties. As at October 31, 2015, our maximum exposure

to loss from these unconsolidated municipal bond TOB trusts was \$856 million (October 31, 2014 – \$749 million). The increase in our maximum exposure to loss relative to last year is primarily due to exchange rate differences. Fee revenue from provision of liquidity facilities to these entities reported in Non-interest income was \$3.7 million during the year (2014 – \$2.8 million).

We provide senior warehouse financing to unaffiliated structured entities that are established by third parties to acquire loans and issue a term collateralized loan obligation transaction. A portion of the proceeds from the sale of the term collateralized loan obligations certificates is used to fully repay the senior warehouse financing that we provide. As at October 31, 2015 our maximum exposure to loss associated with the outstanding senior warehouse financing facilities was \$444 million (October 31, 2014 – \$nil). The increase in our maximum exposure to loss relative to the prior year is related to an increase in the outstanding drawings on certain financing facilities.

Investment funds

We enter into fee-based equity derivative transactions with third parties including mutual funds, unit investment trusts and other investment funds. These transactions provide their investors with the desired exposure to the reference funds, and we economically hedge our exposure from these derivatives by investing in those third party managed reference funds. Our maximum exposure as at October 31, 2015, which is primarily related to our investments in such reference funds, was \$2.6 billion (October 31, 2014 – \$3.4 billion). The decrease in our maximum exposure compared to last year is primarily due to the liquidation of certain reference funds in response to new regulatory requirements in the U.S.

We also provide liquidity facilities to certain third party investment funds. The funds issue unsecured variable-rate preferred shares and invest in portfolios of tax exempt bonds. As at October 31, 2015, our maximum exposure to these funds was \$744 million (October 31, 2014 – \$641 million). The increase in our maximum exposure compared to last year is primarily due to exchange rate differences.

Third-party securitization vehicles

We hold interests in certain unconsolidated third-party securitization vehicles, which are structured entities. We, as well as other financial institutions, are obligated to provide funding to these entities up to our maximum commitment level and are exposed to credit losses on the underlying assets after various credit enhancements. As at October 31, 2015, our maximum exposure to loss in these entities was \$9.7 billion (October 31, 2014 – \$2.4 billion). The increase in our maximum exposure compared to last year reflects additional securitized assets in these vehicles and exchange rate fluctuations. Interest and non-interest income earned in respect of these investments was \$56 million (2014 – \$20 million).

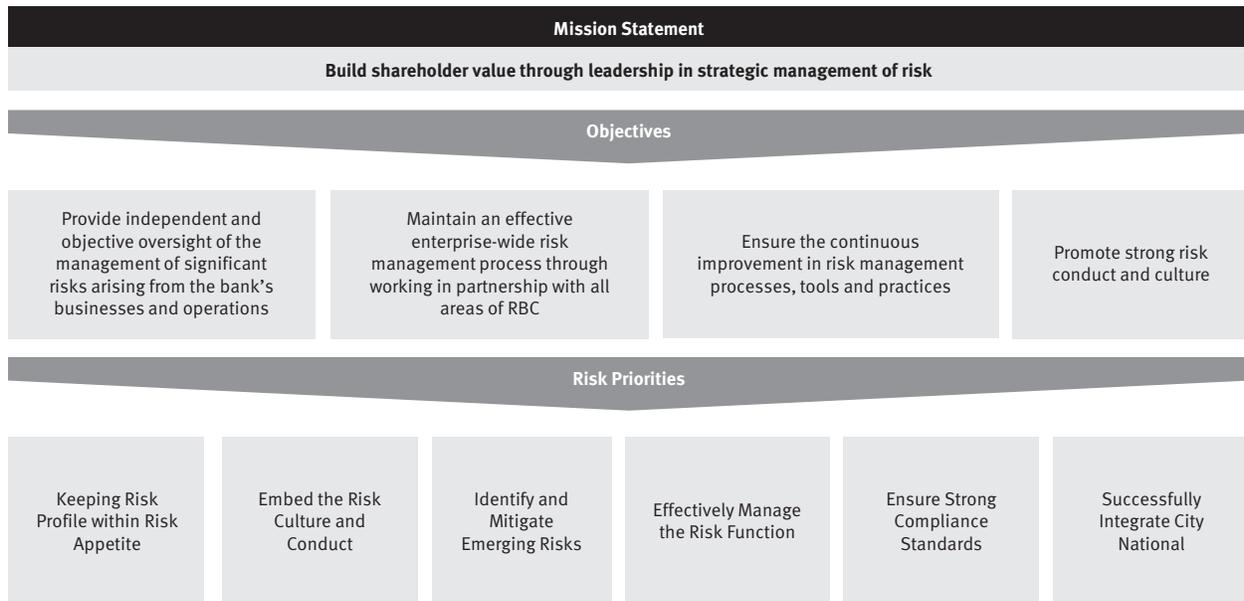
Guarantees, retail and commercial commitments

We provide guarantees and commitments to our clients that expose us to liquidity and funding risks. Our maximum potential amount of future payments in relation to our commitments and guarantee products as at October 31, 2015 amounted to \$315 billion compared to \$259 billion last year. The increase compared to last year relates primarily to business growth and the impact of exchange rate fluctuations in other credit-related commitments and securities lending indemnifications. Refer to Liquidity and funding risk and Note 26 to our audited 2015 Annual Consolidated Financial Statements for details regarding our guarantees and commitments.

Overview

The ability to manage risk well is a core competency at RBC, and is supported by strong Risk Conduct and Culture, and an effective risk management approach. RBC defines risk as the potential for loss or an undesirable outcome with respect to volatility of actual earnings in relation to expected earnings, capital adequacy or liquidity. Organizational design and governance processes ensure that our Group Risk Management (GRM) function is independent from the businesses it supports.

We manage our risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed and remain within our Risk Appetite, which is collectively managed throughout RBC, through adherence to our Enterprise Risk Appetite Framework. Our major risk categories include credit, market, liquidity, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive, and systemic risk. In order to avoid excessive concentration of risks, we strive to diversify our business lines, products and sector exposures. Our objectives and the corresponding priorities are guided by GRM's mission statement, which is to build shareholder value through leadership in the strategic management of risk, as shown below.



2015 Accomplishments

Throughout 2015, we have continued to take a prudent approach to risk management, as evidenced by the fact that we:

- Kept our Risk Profile within Risk Appetite despite economic challenges
- Maintained strong credit quality with a PCL as a percentage of average net loans and acceptances ratio of 24 bps, lower than in 2014 and 2013
- Maintained strong credit ratings
- Avoided major operational risk events
- Ensured sound management of regulatory compliance risk
- Further enhanced stress-testing capabilities
- Increased focus on Risk Conduct and Culture

Risk management principles

The following general principles apply to the management of risk at RBC:

1. **Effective balancing of risk and reward** by aligning business strategy with Risk Appetite, avoiding excessive concentration of risk through diversification, pricing appropriately for risk, mitigating risk through preventive and detective controls and transferring risk to third parties.
2. **Shared responsibility for risk management** as business segments are responsible for active management of their risks, with direction and oversight provided by GRM and other corporate functions groups.
3. **Business decisions are based on an understanding of risk** as we perform rigorous assessment of risks in relationships, products, transactions and other business activities.
4. **Avoid activities that are not consistent with our values, Code of Conduct or policies**, which contributes to the protection of our reputation.
5. **Proper focus on clients reduces our risks** by knowing our clients and ensuring that all products and transactions are suitable for and understood by our clients.
6. **Use of judgment and common sense** in order to manage risk throughout the organization.
7. **Be operationally prepared for a potential crisis** in order to maintain agility and readiness to respond to potential disruptors to the financial industry.

Top and emerging risks

Our view of risks is not static. An important component of our enterprise risk management approach is to ensure that top risks which are evolving or emerging risks are appropriately identified, managed, and incorporated into existing enterprise risk management assessment, measurement, monitoring and escalation processes.

These practices ensure management is forward-looking in its assessment of risks to the organization. Identification of top and emerging risks occurs in the course of businesses developing and pursuing approved strategies and as part of the execution of risk oversight responsibilities by GRM, Finance, Corporate Treasury, Global Compliance and other control functions.

Top and emerging risks occur as a result of exogenous factors, such as changes in the macroeconomic or regulatory environment, or endogenous factors, such as changes to our strategic imperatives, or failure to adapt to an evolving competitive or operational environment.

A top risk is an existing, significant risk that can potentially affect our earnings or capital within a one-year time horizon.

An emerging risk has a lower probability of occurring within a one-year horizon, but, in the event it materializes, can have a significant adverse impact on our ability to achieve our goals.

Top risks	Emerging risks
Weak oil and gas prices	Financial instability arising from the growth of the shadow banking system
High levels of Canadian household debt	Increased exposure to central clearing counterparties
Cybersecurity	Disruptive financial technology companies
Fraud	Conduct risk
Anti-Money Laundering	Litigation risk
Processing and execution risk	Increasing complexity of regulation
Exposure to more volatile sectors	

Details of the more pressing top and emerging risks we are facing are discussed below.

Weak oil and gas prices

Oil prices have continued to be low throughout 2015 and are forecast to remain depressed in the near future. This has had a severe, direct impact on the energy sector and has led, indirectly, to a softening of the housing market in Alberta. We have performed a number of low oil price stress tests, which focus specifically on the impact to our retail and wholesale portfolios. While we could see a rise in PCL, the overall magnitude depends upon how long oil prices stay low and how our corporate clients undertake management actions of their own. In our view, our exposure to weak oil and gas prices remains within our risk appetite.

High levels of Canadian household debt

Canadian household debt remains elevated as persistently low interest rates continue to fuel strong home sales, supporting home prices and contributing to an upward trend in mortgage credit growth. The risks surrounding elevated credit balances largely stem from households' continued ability to manage existing debt repayments when interest rates rise and a greater share of disposable income is needed to make payments. Additional risk stems from the potential for high household debt to amplify the impact of an external shock to the Canadian economy and/or extended downturn in domestic activity. The combination of increasing unemployment, rising interest rates, and a downturn in real estate markets would pose a risk to the credit quality of our retail lending portfolio. We actively manage our lending portfolios and stress test them against various scenarios. Our stress testing shows that the vast majority of our mortgage clients have sufficient capacity to absorb interest rate increases in the ranges currently forecasted. For further discussion relating to our retail portfolio, refer to the Credit risk section.

Cybersecurity

Cybersecurity has become an increasingly problematic issue, not only for the financial services sector, but for other industries in Canada and around the globe. Cyber-attacks in the industry are increasing in sophistication and are often focused on compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise our confidential information as well as that of our clients and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. As a result, RBC continually monitors for malicious threats and adapts accordingly in an effort to ensure we maintain high privacy and security standards. The bank leverages and invests in advancements in cyber defense technologies to support our business model, protect our systems and enhance the experience of our clients on a global basis by employing industry best practices and provide our customers with confidence in their financial transactions. Our investments continue to manage the risks we face today and position the bank for the evolving threat landscape.

Anti-Money Laundering

RBC is subject to a dynamic set of anti-money laundering/anti-terrorist financing, economic sanctions and anti-bribery/anti-corruption (AML) laws and regulations across the multiple jurisdictions in which we operate. As the scope of criminal activities such as tax evasion, human trafficking, bribery and corruption continues to expand, regulators worldwide are intensifying regulatory requirements and increasing enforcement actions and penalties for those who fail to comply. As a consequence, money laundering, terrorist financing, economic sanctions violations, bribery and corruption (Money Laundering) pose significant legal, regulatory, financial and reputational risk to RBC. We are committed to the management of AML risk and have implemented advanced and evolving AML policies, processes and controls (Global AML Program) to mitigate the risk of Money Laundering activities and meet our regulatory obligations to deter, detect and report such activities. RBC has appointed a Senior Vice President, Financial Crimes and Chief Anti-Money Laundering Officer who is responsible for the independent oversight and implementation of the Global AML Program. The Global AML Program addresses our changing business activities, regulatory requirements and international best practices. RBC continuously enhances transaction monitoring, client due diligence and risk assessment processes and

practices to prevent or detect activities that pose potential risk to RBC. Internally, annual AML training is mandatory for all applicable employees, including senior management and the Board of Directors, to help ensure compliance and to educate on emerging AML trends. We meet our regulatory obligation to perform independent effectiveness testing by conducting regular assessments on the adequacy of the Global AML Program.

Exposure to more volatile sectors

Our wholesale loan growth has been strong in recent years, largely driven by Capital Markets. Demand for lending related to commercial real estate and leveraged financing has been particularly strong. To manage risks associated with this increase, we focus on diversification, driven by limits on single name, country and industry exposures across all businesses, portfolios and transactions. We continue to adhere to strict lending standards as we grow our wholesale credit portfolio. We also stress test our portfolio to assist in evaluating the potential impact of severe economic conditions.

Enterprise risk management

Under the oversight of the Board of Directors and Senior Management, the Enterprise Risk Management Framework provides an overview of our enterprise-wide programs for managing risk, including identifying, assessing, measuring, controlling, monitoring and reporting on the significant risks that face the organization. While Risk Appetite encompasses “what” risks RBC is able and willing to take, Risk Conduct and Culture articulates “how” we expect to take those risks.

Risk governance

The Risk Governance model at RBC is well-established. The Board of Directors oversees the implementation of our risk management framework, establishes the tone at the top, approves our Risk Appetite, provides oversight and carries out its risk management mandate primarily through its committees which include the Risk Committee, the Audit Committee, the Governance Committee and the Human Resources Committee.

The purpose of the Risk Committee is to oversee our risk management program. The Risk Committee’s oversight role is designed to ensure that the risk management function is adequately independent from the businesses whose activities it reviews, and that the policies, procedures and controls used by management are sufficient to keep risks within our Risk Appetite.

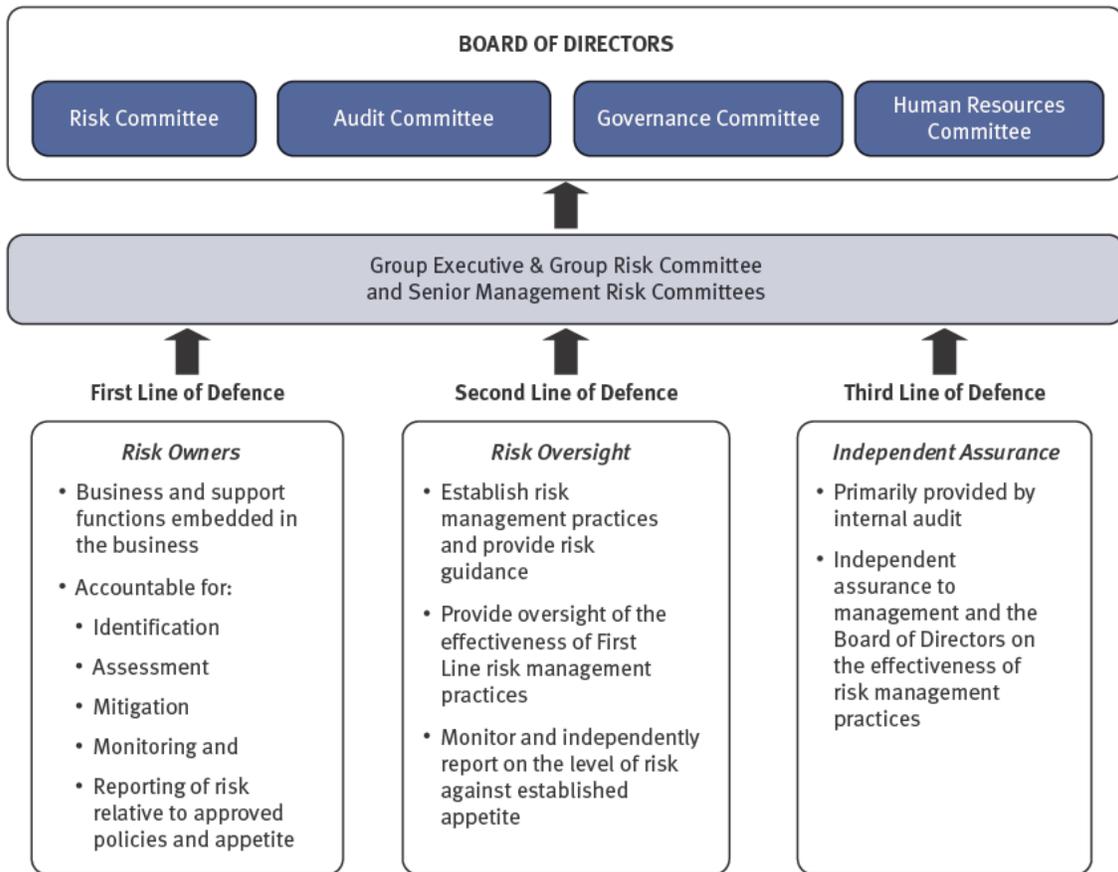
The Audit Committee also has a risk oversight role through its responsibilities to review our internal controls and the control environment, and to ensure that policies related to capital management and adequacy are in place and effective. The Audit Committee regularly reviews reporting on legal and regulatory compliance risks, including significant litigation issues.

The Governance Committee monitors the effectiveness of our corporate governance, reviews policies and programs, is responsible for the Code of Conduct, reviews our efforts to understand and meet changing public values and expectations, and identifies, assesses and advises management on public affairs issues related to our image and reputation.

The Human Resources Committee, along with the Risk Committee, actively oversees the design and operation of our compensation system.

The Group Executive (GE) is comprised of our senior management team and is led by the President & Chief Executive Officer (CEO) and includes the Chief Risk Officer (CRO) and Chief Administrative Officer & Chief Financial Officer (CAO & CFO). The GE is responsible for our strategy and its execution. The GE actively shapes and recommends our Risk Appetite for approval by the Board of Directors. The GE’s risk oversight role is executed primarily through the mandate of the Group Risk Committee (GRC). The GRC, with the assistance of its supporting senior management risk committees, is responsible for ensuring that our overall Risk Profile is consistent with our strategic objectives and remains within our Risk Appetite and that there are ongoing, appropriate and effective risk management processes.

Employees at all levels of the organization are responsible for managing the day-to-day risks that arise in the context of their mandate. As shown below, RBC uses a Three Lines of Defence Governance Model to manage risks across the enterprise.



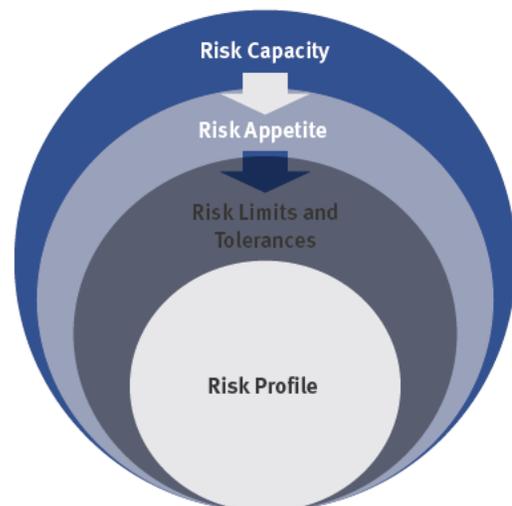
Risk Appetite

Our Risk Appetite is the amount and type of risk we are able and willing to accept in the pursuit of our business objectives. Our approach to articulating Risk Appetite is focused around three key concepts:

- The amount of Earnings at Risk that is determined to be acceptable over an economic cycle, using an expected future loss lens;
- The amount of Capital at Risk that is determined to be acceptable under stress, using an unexpected future loss lens; and
- Ensuring adequate liquidity throughout times of stress.

Our Risk Appetite Framework has several major components as follows:

- Define our Risk Capacity by identifying regulatory constraints that restrict our ability to accept risk.
- Establish and regularly confirm our Risk Appetite, comprised of drivers that are the business objectives which include risks we must accept to generate desired financial returns, and self-imposed constraints that limit or otherwise influence the amount of risk undertaken. Our self-imposed constraints include:
 - Manage exposure to future losses
 - Manage volatility of earnings
 - Avoid excessive concentrations of risk
 - Low exposure to stress events
 - Ensure sound management of liquidity and funding risk
 - Ensure sound management of regulatory compliance risk and operational risk
 - Ensure capital adequacy by maintaining capital ratios in excess of rating agencies' and regulatory expectations
 - Maintain strong credit ratings
 - Maintain Risk Profile that is in the top half of our peer group
- Set Risk Limits and Tolerances to ensure that risk-taking activities are within Risk Appetite.
- Assess our Risk Posture to confirm whether our strategic priorities entail taking on more risk over a one year time frame, using a scale of contracting, stable or expanding.
- Regularly measure and evaluate our Risk Profile, representing the risks we are exposed to, relative to our Risk Appetite, and ensure appropriate action is taken to prevent Risk Profile from surpassing Risk Appetite.



The Enterprise Risk Appetite Framework is structured in such a way that it can be applied at the enterprise, business segment, business unit, and legal entity levels. Risk Appetite is integrated into our business strategies and capital plan. We also ensure that the business strategy aligns with the enterprise and business segment level Risk Appetite.

Risk Conduct and Culture

We define Risk Conduct and Culture as a shared set of behavioural norms that sustain our core values, protect our clients, safeguard our shareholders' value, and support market integrity and stability from undue risk.

The following elements are foundational to our effective Risk Conduct and Culture:

- Communicate expectations in a highly visible, clear, consistent and ongoing manner – “Tone from the top”
- Hold people accountable across all businesses in accordance with the Three Lines of Defence governance model – “Accountability”
- Enable the right motivations by rewarding individuals and groups for taking the right risks in an informed manner – “Incentives”
- Effective communication of risk issues – “Constructive challenge”
- Provide escalation paths
- Take the right risks in order to keep Risk Profile within Risk Appetite



The desired Risk Conduct and Culture flows from RBC Values, Code of Conduct and Risk Management Principles, which include:

- Integrity
- Accountability for risk management
- Compliance with risk policies
- Integration of risk in decision-making
- Timely escalation and reporting of risk issues
- Communication of risk issues

Our enterprise risk management practices have led to the integration of risk disciplines into decision-making and all other key business processes. For example, our compensation programs and practices are risk-based and designed to reinforce desired risk behaviours and disincent risk-taking outside of risk limits. Compensation programs align with sound risk management principles and sustainable performance.

Risk metrics are increasingly integrated into how employees are compensated, assessed and developed:

- Risk-adjusted performance metrics are in place for senior management through to all direct reports of business line heads and business unit heads.
- Talent management and succession planning at senior levels consider risk competencies and experience.
- The approach to considering Risk Conduct and Culture as one of the criteria for promotion continues to evolve across individual businesses.
- Proportionate consequences and disciplinary actions are used to address compliance violations or policy breaches quickly and consistently across the organization, with an enterprise-wide, global approach established via the Code of Conduct governance requirements.

Risk measurement

Our ability to measure risks is a key component of our enterprise-wide risk and capital management processes. Certain measurement methodologies are common to a number of risk types, while others only apply to a single risk type. While quantitative risk measurement is important, we also place reliance on qualitative factors. Our measurement models and techniques are continually subject to independent assessment for appropriateness and reliability. For those risk types that are difficult to quantify, we place greater emphasis on qualitative risk factors and assessment of activities to gauge the overall level of risk to ensure that they are within our Risk Appetite. In addition, judgmental risk measures can still be developed, and techniques such as stress testing, and scenario and sensitivity analyses can also be used to assess and measure risks.

Quantifying expected loss

Expected loss is used to assess earnings at risk and is a representation of losses that are statistically expected to occur in the normal course of business in a given period of time. For credit risk, the key parameters used to measure our exposure to expected loss are probability of default, loss given default, and exposure at default. For market risk, a statistical technique known as Value-at-Risk (VaR) is used to measure losses under normal market conditions.

Quantifying unexpected loss

Unexpected loss is used to assess capital at risk and is a statistical estimate of the amount by which actual losses can exceed expected loss over a specified time horizon, measured at a specified level of confidence. We hold capital to withstand these unexpected losses, should they occur. For further details, refer to the Capital management section.

Stress testing

Stress testing examines potential impacts arising from exceptional but plausible adverse events, and is an important component of our risk management framework. Stress testing results are used in:

- Monitoring our Risk Profile relative to Risk Appetite in terms of earnings and capital at risk;
- Setting limits;
- Identifying key risks to and potential shifts in our capital and liquidity levels, and our financial position;
- Enhancing our understanding of available mitigating actions in response to adverse events; and
- Assessing the adequacy of our target capital levels.

Our enterprise-wide stress tests evaluate key balance sheet, income statement, leverage, capital, and liquidity impacts arising from risk exposures and changes in earnings. The results are used by the GRC, the Board of Directors and senior management risk committees to understand our performance drivers under stress, and review stressed capital, leverage, and liquidity ratios against regulatory thresholds and internal targets. The results are also incorporated into our Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan analyses.

We annually evaluate a number of enterprise-wide stress scenarios over a multi-year horizon, featuring a range of severities. Our Board of Directors reviews the recommended scenarios, and GRM leads the scenario assessment process. Results from across the organization are integrated to develop an enterprise-wide view of the impacts, with input from subject matter experts in GRM, Corporate Treasury, Finance, and Economics. Recent scenarios evaluated include global recessions, Canadian recessions, and energy price shocks.

Ongoing stress testing and scenario analyses within specific risk types such as market risk, liquidity risk, structural interest rate risk, retail and wholesale credit risk, operational risk, and insurance risk supplement and support our enterprise-wide analyses. Results from these risk-specific programs are used in a variety of decision-making processes including risk limit setting, portfolio composition evaluation, Risk Appetite articulation, and business strategy implementation.

In addition to ongoing enterprise-wide and risk specific stress testing programs, we also use ad-hoc and reverse stress testing to deepen our knowledge of the risks we face. Ad-hoc stress tests are one-off analyses used to investigate developing conditions or stress a particular portfolio in more depth. Reverse stress tests, starting with a severe outcome and aiming to reverse-engineer scenarios that might lead to it, are used in risk identification and understanding of risk/return boundaries.

In addition to internal stress tests, we participate in a number of regulator-required stress test exercises at both the consolidated and subsidiary levels.

Back-testing

We back-test many market and credit risk parameters, including Probability of default, Loss given default, and Usage given default. Back-testing is performed on a quarterly basis by comparing the realized values to the parameter estimates that are currently used to ensure the parameters remain appropriate for regulatory and economic capital calculations.

Validation of measurement models

We widely use models for many purposes, including valuation of financial products and the measurement and management of different types of risk. Models are subject to validation by qualified employees that are sufficiently independent of the model design and development, or by approved external parties. Model validation is a comprehensive independent review of a model that evaluates the applicability of the model's logic, its assumptions and theoretical underpinnings, the appropriateness of input data sources, the interpretation of the model results, and the strategic use of the model outputs. By reviewing and evaluating a model's assumptions and limitations, initial and ongoing model validation helps ensure the model incorporates current market developments and industry trends. Our model validation process is designed to ensure that all material underlying model risk factors are identified and successfully mitigated.

Risk control

Our enterprise-wide risk management approach is supported by a comprehensive set of risk controls. The controls are anchored by our Enterprise Risk Management and Risk-Specific Frameworks. These frameworks lay the foundation for the development and communication of policies, establishment of formal risk review and approval processes, and the establishment of delegated authorities and limits. The implementation of robust risk controls enables the optimization of risk and return on both a portfolio and a transactional basis.

Our risk management frameworks and policies are organized into the following five levels:

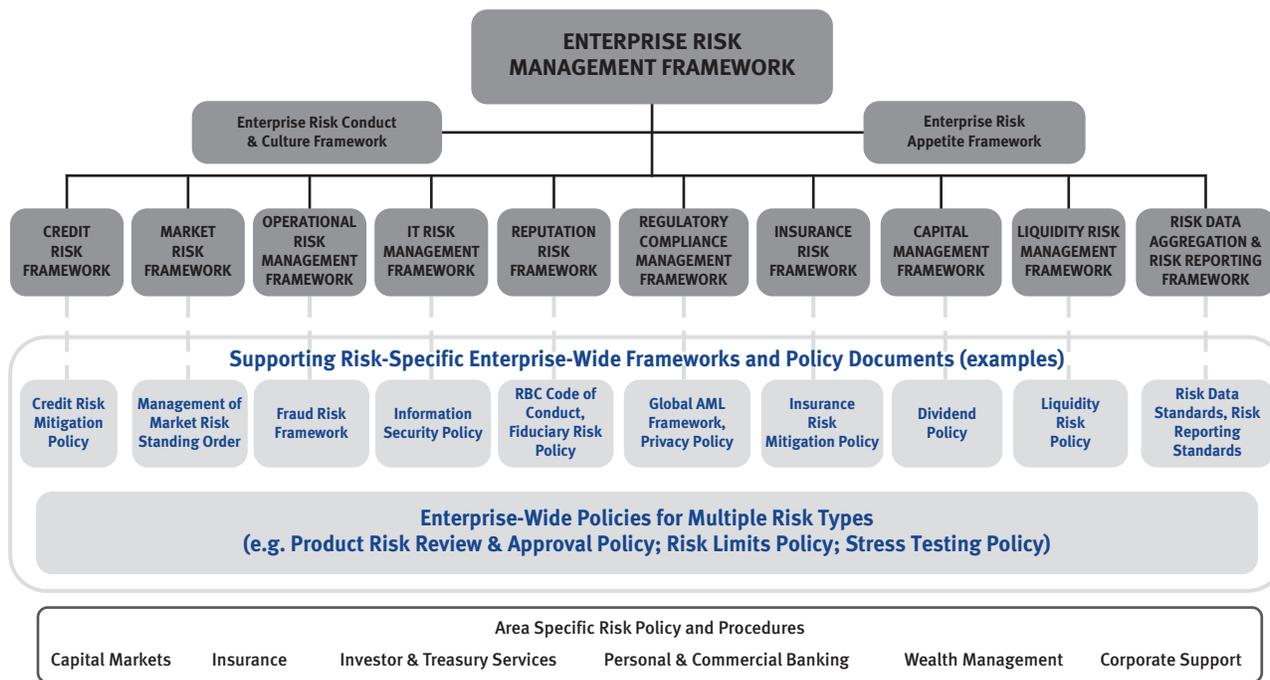
Level 1: Enterprise Risk Management Framework provides an overview of our enterprise-wide program for identifying, assessing, measuring, controlling, monitoring and reporting on the significant risks we face. This framework is underpinned by our Risk Appetite Framework and Risk Conduct and Culture Framework.

Level 2: Risk-Specific Frameworks elaborate on each specific risk type and the mechanisms for identifying, measuring, monitoring and reporting of our principal risks; key policies; and roles and responsibilities.

Level 3: Enterprise Risk Policies articulate minimum requirements, within which businesses and employees must operate.

Level 4: "Multi-risk" Enterprise Risk Policies govern activities such as product risk review and approval, stress testing, risk limits, risk approval authorities and model risk management.

Level 5: Business Segments and Corporate Support – Specific Policies and Procedures are established to manage the risks that are unique to their operations.



The approval hierarchy for risk frameworks and policy documents is as follows:

- Board of Directors or Board Committees**
- Senior Management Committees** (e.g. Policy Review Committee, Ethics & Compliance Committee, Asset Liability Committee) for most other frameworks and policies. Board or Board Committee approval is required in some instances (e.g. RBC Code of Conduct, Dividend Policy, and AML Framework)
- Generally within businesses or Corporate Support committees.** GRM approval required if there are significant risk implications

Risk review and approval processes

Risk review and approval processes are established by GRM based on the nature, size and complexity of the risk involved. In general, the risk review and approval process involves a formal review and approval by an individual, group or committee that is independent from the originator. The approval responsibilities are governed by delegated authorities based on the following categories: transactions, structured credit, projects and initiatives, and new products and services.

Authorities and limits

The Risk Committee of the Board of Directors delegates credit, market and insurance risk authorities to the President & CEO and the CRO. The delegated authorities allow these officers to approve single name, geographic (country and region) and industry sector exposures within defined parameters to manage concentration risk, establish underwriting and inventory limits for trading and investment banking activities and set market risk tolerances.

The Board of Directors also delegates liquidity risk authorities to the President & CEO, CAO & CFO, and CRO. These limits act as a key risk control designed to ensure that reliable and cost-effective sources of cash or its equivalent are available to satisfy our current and prospective commitments.

Reporting

Enterprise and business segment level risk monitoring and reporting are critical components of our enterprise risk management program and support the ability of senior management and the Board of Directors to effectively perform their risk management and oversight responsibilities. On a quarterly basis, we provide to senior management and the Board of Directors the Enterprise Risk Report which includes a comprehensive review of our Risk Profile relative to our Risk Appetite and focuses on the range of risks we face along with an analysis of the related issues and trends. In addition to our regular risk monitoring, other risk specific presentations are provided to and discussed with senior management and the Board of Directors on top and emerging risks or changes in our Risk Profile.

Risk Pyramid

We use a pyramid to identify and categorize our principal risks. The Risk Pyramid provides a common language and discipline for the identification and assessment of risk in existing businesses, new businesses, products or initiatives, and acquisitions and alliances. It is maintained by GRM and reviewed regularly to ensure all key risks are reflected and ranked appropriately.

The placement of the principal risks within the Risk Pyramid is a function of two primary criteria:

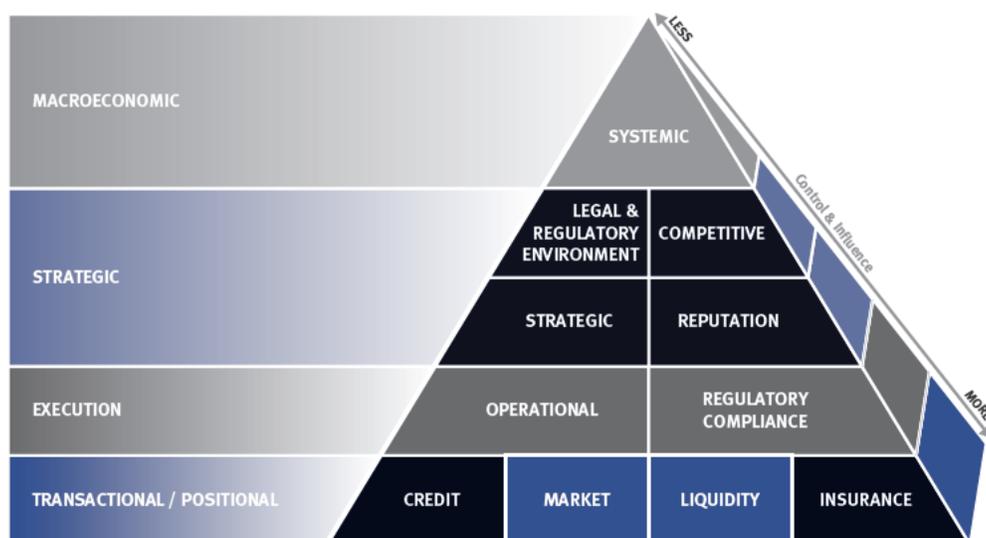
- **Risk Drivers** – Key factors that would have a strong influence on whether or not one or more of our risks will materialize. We have identified four key risk drivers: Macroeconomic, Strategic, Execution and Transactional / Positional; and
- **Control and Influence** – The risk types are organized vertically from the top of the pyramid to its base according to the relative degree of control and influence RBC is considered to have over each risk type.

Risk Drivers

- **Macroeconomic:** Adverse changes in the macroeconomic environment in which we operate can lead to a partial or total collapse of the real economy or the financial system in any of the regions in which we have a presence. Examples include a rapid deterioration in the Canadian housing market, a severe North American recession, and a downturn in China.
- **Strategic:** The strategic choices we make in terms of business mix will determine how our risk profile changes. Examples include credit portfolio mix, acquisitions, responding to the threats posed by non-traditional competitors, and responding to proposed changes in the regulatory framework.
- **Execution:** The complexity and scope of our operations across the globe exposes us to operational and regulatory compliance risks, including fraud, anti-money laundering, cybersecurity and conduct/fiduciary risk.
- **Transactional/Positional:** This driver of risk presents a more traditional risk perspective. This involves the risk of credit or market losses arising from the lending transactions and balance sheet positions we undertake every day.

The base of the pyramid – The risk categories along the base of the Risk Pyramid are those over which we have the greatest level of control and influence. We understand these risks and earn revenue by taking them. These are credit, market, liquidity and insurance risks. Operational risk and regulatory compliance risk, while still viewed as risks over which we have greater level of control and influence, are ranked higher on the pyramid than the other highly controllable risks. This ranking acknowledges the level of controllability associated with people, systems and external events.

The top of the pyramid – Systemic risk is placed at the top of the Risk Pyramid, and is generally considered the least controllable type of risk arising from the business environment impacting us. However, we have in place measures for mitigating the impacts of systemic risk such as stress testing programs and diversification. We are diversified across various business models, funding sources, products and geographies. Legal and regulatory environment and competitive risks, which can be viewed as somewhat controllable, can be influenced through our role as a corporate entity, and as an active participant in the Canadian and global financial services industry.



The shaded text along with the tables specifically marked with an asterisk(*) in the following sections of the MD&A represent our disclosures on credit, market and liquidity and funding risks in accordance with IFRS 7, *Financial Instruments: Disclosures*, and include discussion on how we measure our risks and the objectives, policies and methodologies for managing these risks. Therefore, these shaded text and tables represent an integral part of our 2015 Annual Consolidated Financial Statements.

Credit risk is the risk of loss associated with an obligor's potential inability or unwillingness to fulfill its contractual obligations. Credit risk may arise directly from the risk of default of a primary obligor (e.g. issuer, debtor, counterparty, borrower or policyholder), or indirectly from a secondary obligor (e.g. guarantor or reinsurer). Credit risk includes counterparty credit risk from both trading and non-trading activities.

The failure to effectively manage credit risk across all our products, services and activities can have a direct, immediate and material impact on our earnings and reputation.

We balance our risk and return by:

- Ensuring credit quality is not compromised for growth;
- Diversifying credit risks in transactions, relationships and portfolios;
- Using our credit risk rating and scoring systems or other approved credit risk assessment or rating methodologies, policies and tools;
- Pricing appropriately for the credit risk taken;
- Applying consistent credit risk exposure measurements;
- Mitigating credit risk through preventive and detective controls;
- Transferring credit risk to third parties, where appropriate, through approved credit risk mitigation techniques, including hedging activities and insurance coverage; and
- Ongoing credit risk monitoring and administration.

Risk measurement – Credit risk

We quantify credit risk, at both the individual obligor and portfolio levels, to manage expected credit losses in order to limit earnings volatility and minimize unexpected losses.

We employ different risk measurement processes for our wholesale and retail credit portfolios. The wholesale portfolio comprises businesses, sovereigns, public sector entities, banks and other financial institutions, and certain individuals and small businesses that are managed on an individual client basis. The retail portfolio is comprised of residential mortgages, personal, credit card, and small business loans, which are managed on a pooled basis. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner.

In measuring credit risk and setting regulatory capital, two principal approaches are available: Internal Ratings Based Approach (IRB) and Standardized Approach. Most of our credit risk exposure is measured under the IRB.

Economic capital, which is our internal quantification of risks, is used extensively for performance measurement, limit setting and internal capital adequacy.

The key parameters that form the basis of our credit risk measures for both regulatory and economic capital are:

- Probability of default (PD): An estimated percentage that represents the likelihood of default within a given time period of an obligor for a specific rating grade or for a particular pool of exposure.
- Exposure at default (EAD): An amount expected to be owed by an obligor at the time of default.
- Loss given default (LGD): An estimated percentage of EAD that is not expected to be recovered during the collections and recovery process.

These parameters are determined based primarily on historical experience from internal credit risk rating systems in accordance with supervisory standards, and are independently validated and updated on a regular basis.

Under the Standardized Approach, used primarily for Investor Services and our Caribbean and U.S. banking operations, risk-weights prescribed by the Office of the Superintendent of Financial Institutions (OSFI) are used to calculate risk-weighted assets (RWA) for credit risk exposure.

Wholesale credit risk

The wholesale credit risk rating system is designed to measure the credit risk inherent in our wholesale credit activities.

Each obligor is assigned a borrower risk rating (BRR), reflecting an assessment of the credit quality of the obligor. Each BRR has a PD assigned to it. The BRR differentiates the riskiness of obligors and represents our evaluation of the obligor's ability and willingness to meet its contractual obligations on time over a three year time horizon. The assignment of BRRs is based on the evaluation of the obligor's business risk and financial risk and is based on fundamental credit analysis. The determination of the PD associated with each BRR relies primarily on internal default history since the early 2000s augmented where necessary with reference to external data. PD estimates are designed to be a conservative reflection of our experience across the economic cycle including periods of stress or economic downturn.

Our rating system is designed to stratify obligors into 22 grades, consistent with the external rating agencies. The following table aligns the relative rankings of our 22-grade internal risk ratings with the ratings used by S&P and Moody's.

Internal ratings map*				Table 43
Ratings	BRR	S&P	Moody's	Description
1	1+	AAA	Aaa	Investment Grade
2	1H	AA+	Aa1	
3	1M	AA	Aa2	
4	1L	AA-	Aa3	
5	2+H	A+	A1	
6	2+M	A	A2	
7	2+L	A-	A3	
8	2H	BBB+	Baa1	
9	2M	BBB	Baa2	
10	2L	BBB-	Baa3	
11	2-H	BB+	Ba1	Non-investment Grade
12	2-M	BB	Ba2	
13	2-L	BB-	Ba3	
14	3+H	B+	B1	
15	3+M	B	B2	
16	3+L	B-	B3	
17	3H	CCC+	Caa1	
18	3M	CCC	Caa2	
19	3L	CCC-	Caa3	
20	4	CC	Ca	
21	5	C	C	Impaired
22	6	Bankruptcy	Bankruptcy	

* This table represents an integral part of our 2015 Annual Consolidated Financial Statements.

Each credit facility is assigned an LGD rate. LGD rates are largely driven by factors that will impact the extent of any losses in the event the obligor defaults including seniority of debt, collateral security, and the industry sector in which the obligor operates. Estimated LGD rates draw primarily on internal loss experience since the late 1990s. Where we have limited internal loss data we also look to external data to inform the estimation. LGD rates are estimated to reflect conditions that might be expected to prevail in a period of an economic downturn, with additional conservatism added to reflect data limitations and judgments made in the estimation process.

EAD is estimated based on the current exposure to the obligor and the possible future changes in that exposure driven by factors such as the nature of the credit commitment and the type of obligor. As with LGD, rates are estimated to reflect downturn conditions, with added conservatism to reflect data and modeling uncertainty.

Estimates of PD, LGD and EAD are updated, and then validated and back-tested by an independent team within the bank, on an annual basis. In addition, quarterly monitoring and back-testing is performed by the estimation team. These ratings and risk measurements are used in the determination of our expected losses as well as economic and regulatory capital, setting of risk limits, portfolio management and product pricing.

Counterparty credit risk

Counterparty credit risk is the risk that a party with whom the bank has entered into a financial or non-financial contract will fail to fulfill its contractual agreement and default on the obligation. It is measured not only by its current value, but also by how this value can move as market conditions change. Counterparty credit risk usually occurs in trading-related derivative and repo-style transactions.

Derivative transactions include financial (e.g. forwards, futures, swaps and options) and non-financial derivatives (e.g. precious metal and commodities). For further details on our derivative instruments and credit risk mitigation, refer to Note 8 of our 2015 Annual Consolidated Financial Statements.

Retail credit risk

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for retail (scored) exposures. Credit scores along with decision strategies are employed in the acquisition of new clients and management of existing clients.

Retail exposures are managed on a pooled basis, with each pool consisting of a group or segment of exposures that possess similar homogeneous characteristics. Criteria used to pool exposures for risk quantification include behavioural score, product type (mortgages, credit cards, lines of credit and instalment loans), collateral type (chattel, liquid assets and real estate), utilization rate, loan-to-value, and the delinquency status (performing, delinquent and default) of the exposure. Regular monitoring and periodic adjustments & alignments are conducted to ensure that this process provides for a meaningful differentiation of risk.

The pools are also assessed based on credit risk parameters (PD and EAD) which consider borrower and transaction characteristics, including behavioural credit score, product type, utilization rate and delinquency status. LGD estimation is based on transaction specific factors, including product, loan-to-value and collateral types. All parameters are determined based on over 10 years of historical economic losses with the highest degree of granularity and sufficient margins of conservatism. Parameters are back-tested regularly and validated by an independent team within the bank.

The following table maps PD bands to various risk levels:

Internal ratings map*		Table 44
PD bands	Description	
0.000% – 1.718%	Low risk	
1.719% – 6.430%	Medium risk	
6.431% – 99.99%	High risk	
100%	Impaired/Default	

* This table represents an integral part of our 2015 Annual Consolidated Financial Statements.

Risk control – Credit risk

The Board of Directors and its committees, the GE, the GRC and other senior management risk committees work together to ensure a Credit Risk Management Framework and supporting policies, processes and procedures exist to manage credit risk and approve related credit risk limits. Reports are distributed to the Board of Directors, the GRC, and senior executives to keep them informed of our Risk Profile, including trending information and significant credit risk issues and shifts in exposures to ensure appropriate actions can be taken where necessary. Our enterprise-wide credit risk policies set out the minimum requirements for the management of credit risk in a variety of borrower, transactional and portfolio management contexts.

Credit policies are an integral component of our Credit Risk Management Framework and set out the minimum requirements for the management of credit risk as follows:

Credit risk assessment

- Mandatory use of credit risk rating and scoring systems.
- Consistent credit risk assessment criteria.
- Standard content requirements in credit application documents.

Credit risk mitigation

Structuring of transactions

- Specific credit policies and procedures set out the requirements for structuring transactions. Risk mitigants include the use of guarantees, collateral, seniority, loan-to-value requirements and covenants. Product-specific guidelines set out appropriate product structuring as well as client and guarantor criteria.

Collateral

- We often require obligors to pledge collateral as security when we advance credit. The extent of risk mitigation provided by collateral depends on the amount, type and quality of the collateral taken. Specific requirements relating to collateral valuation and management are documented in our credit risk management policies. The types of collateral used to secure credit or trading facilities within the bank are varied. For example, the majority of our Securities Finance and over-the-counter (OTC) derivatives activities are secured by cash and liquid Organisation for Economic Co-operation and Development (OECD) government securities. Wholesale lending is often secured by pledges of the assets of a business, such as accounts receivable, inventory, operating assets and commercial real estate. In our Canadian Banking business and Wealth Management segment, collateral typically consists of a pledge over a real estate property, or a portfolio of debt securities and equities trading on a recognized exchange.
- We are compliant with regulatory requirements that govern residential mortgage underwriting practices, including loan-to-value parameters and property valuation requirements. For further information regarding the quality of collateral used to secure residential mortgages, refer to table 53.

Credit derivatives

- Used as a tool to mitigate industry sector concentration and single-name exposure. For a more detailed description of the types of credit derivatives we enter into and how we manage related credit risk, refer to Note 8 of our 2015 Annual Consolidated Financial Statements.

Loan forbearance

In our overall management of borrower relationships, economic or legal reasons may necessitate forbearance to certain clients with respect to the original terms and conditions of their loans. We strive to identify borrowers in financial difficulty early and modify their loan terms in order to maximize collection and to avoid foreclosure, repossession, or other legal remedies. In these circumstances, a borrower may be granted concessions that would not otherwise be considered. We have specialized groups and formalized policies that direct the management of delinquent or defaulted borrowers. Examples of such concessions to retail borrowers may include rate reduction, principal forgiveness, and term extensions. Concessions to wholesale borrowers may include restructuring the agreements, modifying the original terms of the agreement and/or relaxation of covenants. For both retail and wholesale loans, the appropriate remediation techniques are based on the individual borrower's situation, the Bank's policy and the customer's willingness and capacity to meet the new arrangement. When a loan is restructured, the recorded investment in the loan is reduced as of the date of restructuring to the amount of the net cash flows receivable under the modified terms, discounted at the effective interest rate inherent in the loan (prior to restructuring). During 2015, the amount of loans restructured was not significant.

Product approval

- Proposals for credit products and services are comprehensively reviewed and approved under a risk assessment framework.

Credit portfolio management

- Concentration risk is defined as the risk arising from an over-concentration on single names, industry sectors, countries or credit products within the portfolio. Concentration risk results from large exposure to similar risks that are positively correlated such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions.
- We manage credit exposures and limits to ensure alignment with Risk Appetite, to maintain our target business mix and to ensure that there is no undue risk concentration. Credit concentration limits are reviewed on a regular basis taking into account the business, economic, financial and regulatory environments.
- Our credit limits are established at the following levels: single name limits (notional and economic capital), underwriting risk limits, leveraged lending limits, geographic (country and region) limits (notional and economic capital), industry sector limits (notional and economic capital), and product and portfolio limits, where deemed necessary.

Gross credit risk exposure

Gross credit risk exposure is calculated based on the definitions provided under the Basel III framework. Under this method, risk exposure is calculated before taking into account any collateral and is inclusive of an estimate of potential future changes to that credit exposure. Gross credit risk is categorized into lending-related and other, and trading-related.

Lending-related and other includes:

- Loans and acceptances outstanding, undrawn commitments, and other exposures including contingent liabilities such as letters of credit and guarantees, available-for-sale (AFS) debt securities and deposits with financial institutions. Undrawn commitments represent an estimate of the contractual amount that may be drawn upon at the time of default of an obligor.

Trading-related credit includes:

- Repo-style transactions which include repurchase and reverse repurchase agreements and securities lending and borrowing transactions. For repo-style transactions, gross exposure represents the amount at which securities were initially financed, before taking into account collateral.
- Derivative amount which represents the credit equivalent amount, which is defined by OSFI as the replacement cost plus an add-on amount for potential future credit exposure.

Gross credit risk exposure by portfolio and sector*

Table 45

(Millions of Canadian dollars)	As at											
	October 31 2015						October 31 2014					
	Lending-related and other			Trading-related			Lending-related and other			Trading-related		
	Loans and acceptances						Loans and acceptances					
	Outstanding	Undrawn commitments (1)	Other (2)	Repo-style transactions	Derivatives (3)	Total exposure (4)	Outstanding	Undrawn commitments (1)	Other (2)	Repo-style transactions	Derivatives (3)	Total exposure (4)
Residential mortgages	\$ 233,975	\$ –	\$ 206	\$ –	\$ –	\$ 234,181	\$ 219,257	\$ –	\$ 197	\$ –	\$ –	\$ 219,454
Personal	94,346	78,885	154	–	–	173,385	96,021	83,965	154	–	–	180,140
Credit cards	15,859	24,827	–	–	–	40,686	14,924	21,689	–	–	–	36,613
Small business (5)	4,003	5,370	9	–	–	9,382	4,067	4,631	9	–	–	8,707
Retail	\$ 348,183	\$ 109,082	\$ 369	\$ –	\$ –	\$ 457,634	\$ 334,269	\$ 110,285	\$ 360	\$ –	\$ –	\$ 444,914
Business (5)												
Agriculture	\$ 6,057	\$ 1,279	\$ 80	\$ –	\$ 86	\$ 7,502	\$ 5,694	\$ 1,079	\$ 55	\$ –	\$ 51	\$ 6,879
Automotive	6,614	5,104	407	–	984	13,109	6,209	4,880	299	–	697	12,085
Consumer goods	7,146	7,093	594	–	470	15,303	7,172	6,189	547	–	281	14,189
Energy												
Oil & Gas	7,691	13,274	1,330	–	839	23,134	5,849	10,921	1,410	–	409	18,589
Utilities	5,162	13,389	3,149	60	1,482	23,242	3,766	11,240	1,943	–	1,169	18,118
Non-bank financial services	6,428	13,060	18,002	201,845	29,769	269,104	5,688	9,775	13,414	160,514	23,290	212,681
Forest products	1,169	535	108	–	40	1,852	979	452	108	–	18	1,557
Industrial products	4,725	5,418	513	–	538	11,194	4,665	4,753	441	–	462	10,321
Mining & metals	1,402	3,883	906	–	255	6,446	1,320	2,870	876	–	174	5,240
Real estate & related	33,802	9,210	1,910	63	373	45,358	30,387	7,791	1,699	22	286	40,185
Technology & media	6,599	14,182	574	6	1,703	23,064	4,822	8,705	511	2	955	14,995
Transportation & environment	5,907	4,300	2,960	–	1,474	14,641	5,432	3,624	1,702	–	810	11,568
Other	35,133	17,166	15,620	4,915	15,386	88,220	26,604	13,345	8,379	3,490	13,800	65,618
Sovereign (5)	9,887	5,614	57,413	30,871	10,162	113,947	4,628	5,303	47,798	25,863	8,170	91,762
Bank (5)	1,800	1,015	86,106	102,371	27,221	218,513	1,201	710	73,365	94,824	22,724	192,824
Wholesale	\$ 139,522	\$ 114,522	\$ 189,672	\$ 340,131	\$ 90,782	\$ 874,629	\$ 114,416	\$ 91,637	\$ 152,547	\$ 284,715	\$ 73,296	\$ 716,611
Total exposure	\$ 487,705	\$ 223,604	\$ 190,041	\$ 340,131	\$ 90,782	\$ 1,332,263	\$ 448,685	\$ 201,922	\$ 152,907	\$ 284,715	\$ 73,296	\$ 1,161,525

* This table represents an integral part of our 2015 audited Annual Consolidated Financial Statements.

- (1) Undrawn commitments represent an estimate of the contractual amount that may be drawn upon at the time of default of an obligor.
- (2) Includes credit equivalent amounts for contingent liabilities such as letters of credit and guarantees, outstanding amounts for AFS debt securities, deposits with financial institutions and other assets.
- (3) Credit equivalent amount after factoring in master netting agreements.
- (4) Gross credit risk exposure is before allowance for loan losses. Exposures under Basel III asset classes of qualifying revolving retail and other retail are largely included within Personal and Credit cards, while HELOC are included in Personal.
- (5) Refer to Note 5 of our audited 2015 Annual Consolidated Financial Statements for the definitions of these terms.

2015 vs. 2014

Total gross credit risk exposure increased \$171 billion or 15% from last year, primarily reflecting an increase in repo-style transactions and growth in loans and acceptances.

Retail exposure increased \$13 billion or 3%, mainly due to volume growth in Canadian residential mortgages and credit cards, partly offset by a decrease in personal loans and acceptances. Wholesale exposure increased \$158 billion or 22%, primarily attributable to an increase in repo-style transactions, higher loans and acceptances reflecting growth across various industry sectors, and an increase in Other exposure related to letters of credit and guarantees, AFS securities and deposits with central banks. The impact of foreign exchange translation also contributed to the increase. Wholesale loan utilization was 37% which remained unchanged from last year.

Gross credit risk exposure by geography* (1)

Table 46

(Millions of Canadian dollars)	As at											
	October 31 2015						October 31 2014					
	Lending-related and other			Trading-related			Lending-related and other			Trading-related		
	Loans and acceptances						Loans and acceptances					
Outstanding	Undrawn commitments	Other	Repo-style transactions	Derivatives	Total exposure	Outstanding	Undrawn commitments	Other	Repo-style transactions	Derivatives	Total exposure	
Canada	\$ 414,427	\$ 144,352	\$ 70,774	\$ 64,855	\$ 27,272	\$ 721,680	\$ 390,221	\$ 142,841	\$ 63,060	\$ 56,308	\$ 21,649	\$ 674,079
U.S.	40,186	60,031	50,915	179,021	14,023	344,176	28,325	43,270	23,487	150,549	12,536	258,167
Europe	17,706	15,574	52,294	58,900	44,480	188,954	15,348	13,091	47,904	52,501	34,222	163,066
Other International	15,386	3,647	16,058	37,355	5,007	77,453	14,791	2,720	18,456	25,357	4,889	66,213
Total Exposure	\$ 487,705	\$ 223,604	\$ 190,041	\$ 340,131	\$ 90,782	\$ 1,332,263	\$ 448,685	\$ 201,922	\$ 152,907	\$ 284,715	\$ 73,296	\$ 1,161,525

* This table represents an integral part of our 2015 audited Annual Consolidated Financial Statements.

(1) Geographic profile is based on country of residence of the borrower.

2015 vs. 2014

Total gross credit risk exposure increased \$171 billion or 15% from last year, primarily reflecting an increase in repo-style transactions and the impact of foreign exchange translation.

Canada exposure increased \$48 billion or 7% compared to the prior year, primarily due to higher loans and acceptances and growth in repo-style transactions.

U.S. exposure increased \$86 billion or 33% compared to the prior year, mainly due to growth in repo-style transactions, an increase in other exposure, and the impact of foreign exchange translation.

Europe exposure increased \$26 billion or 16% compared to the prior year, mainly due to growth in derivatives, repo-style transactions, and the impact of foreign exchange translation.

Other International increased \$11 billion or 17% compared to the prior year, mainly reflecting growth in repo-style transactions, and the impact of foreign exchange translation.

Loans and acceptances outstanding and undrawn commitments* (1), (2)

Table 47

(Millions of Canadian dollars)	As at									
	October 31 2015					October 31 2014				
	Low risk	Medium risk	High risk	Impaired	Total	Low risk	Medium risk	High risk	Impaired	Total
Retail (3)										
Residential mortgages	\$ 218,151	\$ 13,080	\$ 2,098	\$ 646	\$ 233,975	\$ 206,699	\$ 9,452	\$ 2,428	\$ 678	\$ 219,257
Personal	157,996	12,020	2,916	299	173,231	158,530	17,309	3,847	300	179,986
Credit cards	34,547	4,772	1,367	–	40,686	29,900	5,403	1,310	–	36,613
Small business	6,878	1,047	1,403	45	9,373	6,542	1,519	1,308	47	9,416
Total	\$ 417,572	\$ 30,919	\$ 7,784	\$ 990	\$ 457,265	\$ 401,671	\$ 33,683	\$ 8,893	\$ 1,025	\$ 445,272

(Millions of Canadian dollars)	As at							
	October 31 2015				October 31 2014			
	Investment grade	Non-Investment grade	Impaired	Total	Investment grade	Non-investment grade	Impaired	Total
Wholesale (4)								
Business	\$ 105,871	\$ 128,564	\$ 1,293	\$ 235,728	\$ 82,714	\$ 109,829	\$ 950	\$ 193,493
Sovereign	14,704	797	–	15,501	9,476	455	–	9,931
Bank	2,475	338	2	2,815	1,440	469	2	1,911
Total	\$ 123,050	\$ 129,699	\$ 1,295	\$ 254,044	\$ 93,630	\$ 110,753	\$ 952	\$ 205,335

* This table represents an integral part of our audited 2015 Annual Consolidated Financial Statements.

(1) This table represents our retail and wholesale loans and acceptances outstanding and undrawn commitments by portfolio and risk category.

(2) The amounts in the table are before allowance for impaired loans.

(3) Includes undrawn commitments of \$nil, \$78.9 billion, \$24.8 billion, and \$5.4 billion for Residential mortgages, Personal, Credit cards and Small business, respectively.

(4) Includes undrawn commitments of \$107.9 billion, \$5.6 billion, and \$1.0 billion for Business, Sovereign and Bank, respectively.

2015 vs. 2014

Growth in retail exposures was largely attributable to the low risk category primarily reflecting growth in residential mortgages and credit cards. Growth in wholesale exposures was mainly due to loan growth in both the investment grade and non-investment grade categories.

(Millions of Canadian dollars)	As at							October 31 2014
	October 31 2015			October 31 2014				
	Loans and acceptances		Other					
Outstanding	Undrawn commitments ⁽¹⁾	Securities ⁽²⁾	Letters of credit and guarantees	Repo-style transactions	Derivatives	Total European exposure	Total European exposure	
Gross exposure to Europe	\$ 17,706	\$ 15,574	\$ 24,480	\$ 27,814	\$ 58,900	\$ 44,480	\$ 188,954	\$ 163,066
Less: Collateral held against repo-style transactions	-	-	-	-	57,674	-	57,674	51,386
Potential future credit exposure add-on amount	-	-	-	-	-	29,875	29,875	22,403
Undrawn commitments	-	15,574	-	27,814	-	-	43,388	38,079
Gross drawn exposure to Europe	\$ 17,706	\$ -	\$ 24,480	\$ -	\$ 1,226	\$ 14,605	\$ 58,017	\$ 51,198
Less: Collateral applied against derivatives	-	-	-	-	-	10,721	10,721	8,249
Add: Trading securities	-	-	12,797	-	-	-	12,797	15,471
Net exposure to Europe⁽³⁾	\$ 17,706	\$ -	\$ 37,277	\$ -	\$ 1,226	\$ 3,884	\$ 60,093	\$ 58,420

(1) These amounts are comprised of \$12.3 billion to corporate entities, \$2.6 billion to financial entities and \$0.5 billion to sovereign entities. On a country basis, exposure is comprised of \$7.0 billion to the U.K., \$2.5 billion to France, \$1.9 billion to Germany, \$0.6 billion to Ireland, \$0.3 billion to Spain, and \$0.1 billion to Italy, with the remaining \$3.1 billion related to Other Europe. Of the undrawn commitments, over 80% are to investment grade entities.

(2) Securities include \$12.8 billion of trading securities (2014 – \$15.5 billion), \$11.5 billion of deposits (2014 – \$11.9 billion), and \$13.0 billion of AFS securities (2014 – \$11.0 billion).

(3) Excludes \$2.6 billion (2014 – \$2.8 billion) of exposures to supranational agencies.

Our gross credit risk exposure is calculated based on the definitions provided under the Basel III framework whereby risk exposure is calculated before taking into account any collateral and inclusive of an estimate of potential future changes to that credit exposure. On that basis, our total European exposure as at October 31, 2015 was \$189 billion. Our gross drawn exposure to Europe was \$58 billion, after taking into account collateral held against repo-style transactions of \$58 billion, letters of credit and guarantees, and undrawn commitments for loans of \$43 billion and potential future credit exposure to derivatives of \$30 billion. Our net exposure to Europe was \$60 billion, after taking into account \$11 billion of collateral, primarily in cash, we hold against derivatives and the addition of trading securities of \$13 billion held in our trading book. Our net exposure to Europe also reflected \$1.8 billion of mitigation through credit default swaps, which are largely used to hedge single name exposures and market risk.

Net European exposure by country⁽¹⁾

Table 49

(Millions of Canadian dollars)	As at						
	October 31 2015						October 31 2014
	Loans outstanding	Securities	Repo-style transactions	Derivatives	Total	Total	
U.K.	\$ 10,330	\$ 8,372	\$ 867	\$ 1,395	\$ 20,964	\$ 24,033	
Germany	1,142	7,789	4	561	9,496	10,172	
France	446	3,426	56	605	4,533	4,284	
Total U.K., Germany, France	\$ 11,918	\$ 19,587	\$ 927	\$ 2,561	\$ 34,993	\$ 38,489	
Greece	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Ireland	1,138	66	47	68	1,319	883	
Italy	45	42	-	13	100	150	
Portugal	8	1	-	-	9	9	
Spain	337	60	-	42	439	476	
Total Peripheral⁽²⁾	\$ 1,528	\$ 169	\$ 47	\$ 123	\$ 1,867	\$ 1,518	
Luxembourg	\$ 586	\$ 4,250	\$ 3	\$ 51	\$ 4,890	\$ 1,909	
Netherlands	1,014	3,211	30	728	4,983	4,260	
Norway	427	4,431	-	28	4,886	3,011	
Sweden	273	3,012	79	12	3,376	2,731	
Switzerland	523	1,007	98	125	1,753	3,557	
Other	1,437	1,610	42	256	3,345	2,945	
Total Other Europe	\$ 4,260	\$ 17,521	\$ 252	\$ 1,200	\$ 23,233	\$ 18,413	
Total exposure to Europe	\$ 17,706	\$ 37,277	\$ 1,226	\$ 3,884	\$ 60,093	\$ 58,420	

(1) Geographic profile is based on country of risk, which reflects our assessment of the geographic risk associated with a given exposure. Typically, this is the residence of the borrower.

(2) Gross credit risk exposure to peripheral Europe is comprised of Greece \$nil (2014 – \$nil), Ireland \$11.7 billion (2014 – \$2.5 billion), Italy \$0.3 billion (2014 – \$0.2 billion), Portugal \$nil (2014 – \$nil), and Spain \$1.2 billion (2014 – \$0.9 billion).

2015 vs. 2014

Net credit risk exposure to Europe increased \$1.7 billion from last year, largely driven by increased exposure in Luxembourg, Norway and the Netherlands, partially offset by a decrease in the U.K., Switzerland and Germany. Our net exposure to peripheral Europe, which includes Greece, Ireland, Italy, Portugal and Spain, remained minimal, with total outstanding exposure increasing \$0.3 billion during the year to \$1.9 billion.

Our exposure was predominantly investment grade. Our net exposure to larger European countries, including the U.K., Germany and France, was primarily related to our capital markets, wealth management, and investor services businesses, particularly in fixed income, treasury services, derivatives, and corporate and individual lending. These are predominantly client-driven businesses where we transact with a range of European financial institutions, corporations, and individuals. In addition, we engage in primary dealer activities in the U.K., where we participate in auctions of government debt and act as a market maker and provide liquidity to clients. Exposures to other European countries are largely related to securities which include trading securities, deposits, and AFS securities.

Our trading securities are related to both client market-making activities and our funding and liquidity management needs. All of our trading securities are marked-to-market on a daily basis. Deposits are primarily related to deposits with central banks or financial institutions and also included deposits related to our wealth management business in the Channel Islands. AFS securities are largely comprised of OECD government and corporate debt. Our European corporate loan book is managed on a global basis and the underwriting standards for this loan book reflect the same approach to the use of our balance sheet as we have applied in both Canada and the U.S. Our PCL on this portfolio was nominal for this year. The gross impaired loans ratio of this loan book was 0.6%, up from 0.12% from last year.

Net European exposure by client type

Table 50

(Millions of Canadian dollars)	As at													October 31 2014
	October 31 2015													
	U.K.	Germany	France	Total U.K., Germany, France	Greece	Ireland	Italy	Portugal	Spain	Total Peripheral	Other Europe	Total Europe	Total Europe	
Financials	\$ 7,453	\$ 6,853	\$ 813	\$ 15,119	\$ -	\$ 148	\$ 65	\$ -	\$ 31	\$ 244	\$ 12,472	\$ 27,835	\$ 24,641	
Sovereign	4,347	837	3,125	8,309	-	3	-	-	103	106	6,400	14,815	17,527	
Corporate	9,164	1,806	595	11,565	-	1,168	35	9	305	1,517	4,361	17,443	16,252	
Total	\$ 20,964	\$ 9,496	\$ 4,533	\$ 34,993	\$ -	\$ 1,319	\$ 100	\$ 9	\$ 439	\$ 1,867	\$ 23,233	\$ 60,093	\$ 58,420	

2015 vs. 2014

Our net exposure to Financials increased \$3.2 billion mainly due to increases in the U.K. and Other Europe, partially offset by a decrease in France. The net exposure to Sovereign decreased \$2.7 billion, mainly due to decreases in U.K. and Germany, partially offset by increases in Other Europe and France. The increase in Corporate of \$1.2 billion was largely in Other Europe and Ireland.

Residential mortgages and home equity lines of credit (insured vs. uninsured)

Residential mortgages and home equity lines of credit are secured by residential properties. The following table presents a breakdown by geographic region:

Residential mortgages and home equity lines of credit							Table 51	
As at October 31, 2015								
Residential mortgages (1)							Home equity lines of credit (2)	
(Millions of Canadian dollars, except percentage amounts)	Insured (3)		Uninsured		Total	Total		
Region (4)								
Canada								
Atlantic provinces	\$ 6,856	55%	\$ 5,586	45%	\$ 12,442	\$	2,060	
Quebec	12,414	46	14,621	54	27,035		4,157	
Ontario	36,555	39	58,036	61	94,591		16,785	
Prairie provinces	27,562	53	24,597	47	52,159		9,940	
B.C. and territories	15,755	36	27,555	64	43,310		9,085	
Total Canada (5)	\$ 99,142	43%	\$ 130,395	57%	\$ 229,537	\$	42,027	
U.S.	(1)	–	773	100	772		334	
Other International	14	–	3,202	100	3,216		3,107	
Total International	\$ 13	–%	\$ 3,975	100%	\$ 3,988	\$	3,441	
Total	\$ 99,155	42%	\$ 134,370	58%	\$ 233,525	\$	45,468	

As at October 31, 2014								
Residential mortgages (1)							Home equity lines of credit (2)	
(Millions of Canadian dollars, except percentage amounts)	Insured (3)		Uninsured		Total	Total		
Region (4)								
Canada								
Atlantic provinces	\$ 6,411	55%	\$ 5,169	45%	\$ 11,580	\$	2,068	
Quebec	13,006	50	13,248	50	26,254		4,163	
Ontario	35,354	40	51,974	60	87,328		17,104	
Prairie provinces	25,813	53	22,826	47	48,639		10,310	
B.C. and territories	15,585	38	25,887	62	41,472		9,768	
Total Canada (5)	\$ 96,169	45%	\$ 119,104	55%	\$ 215,273	\$	43,413	
U.S.	4	1	535	99	539		332	
Other International	13	–	3,081	100	3,094		2,691	
Total International	\$ 17	–%	\$ 3,616	100%	\$ 3,633	\$	3,023	
Total	\$ 96,186	44%	\$ 122,720	56%	\$ 218,906	\$	46,436	

(1) The residential mortgages amounts exclude our third-party mortgage-backed securities (MBS) of \$450 million (2014 – \$351 million).

(2) Home equity lines of credit includes revolving and non-revolving loans.

(3) Insured residential mortgages are mortgages whereby our exposure to default is mitigated by insurance through the Canada Mortgage and Housing Corporation (CMHC) or other private mortgage default insurers.

(4) Region is based upon address of the property mortgaged. The Atlantic provinces are comprised of Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick, the Prairie provinces are comprised of Manitoba, Saskatchewan and Alberta, and B.C. and territories are comprised of British Columbia, Nunavut, Northwest Territories and Yukon.

(5) Total consolidated residential mortgages in Canada of \$230 billion (2014 – \$215 billion) is largely comprised of \$205 billion (2014 – \$192 billion) of residential mortgages and \$5 billion (2014 – \$5 billion) of mortgages with commercial clients of which \$3 billion (2014 – \$3 billion) are insured mortgages, both in Canadian Banking, and \$19 billion (2014 – \$18 billion) of residential mortgages in Capital Markets held for securitization purposes.

Home equity lines of credit are uninsured and reported within the personal loan category. As at October 31, 2015, home equity lines of credit in Canadian Banking were \$42 billion (2014 – \$43 billion). Approximately 98% of these home equity lines of credit (2014 – 97%) are secured by a first lien on real estate, and 8% (2014 – 8%) of the total homeline clients pay the scheduled interest payment only.

Residential mortgages portfolio by amortization period

The following table provides a summary of the percentage of residential mortgages that fall within the remaining amortization periods based upon current customer payment amounts, which incorporate payments larger than the minimum contractual amount and/or higher frequency of payments:

Residential mortgages portfolio by amortization period				Table 52		
Amortization period	As at					
	October 31 2015			October 31 2014		
	Canada	U.S. and Other International	Total	Canada	U.S. and Other International	Total
≤ 25 years	75%	77%	75%	71%	74%	71%
> 25 years ≤ 30 years	23	23	23	23	26	23
> 30 years ≤ 35 years	2	–	2	5	–	5
> 35 years	–	–	–	1	–	1
Total	100%	100%	100%	100%	100%	100%

Average loan-to-value (LTV) ratio for newly originated and acquired uninsured residential mortgages and homeline products

The following table provides a summary of our average LTV ratio for newly originated and acquired uninsured residential mortgages and homeline products by geographic region:

Average LTV ratio		Table 53			
	2015		2014		
	Uninsured		Uninsured		
	Residential mortgages (1)	Homeline products (2)	Residential mortgages (1)	Homeline products (2)	
Region (3)					
Atlantic provinces	74%	75%	74%	74%	
Quebec	71	73	71	73	
Ontario	70	70	71	71	
Prairie provinces	73	74	74	73	
B.C. and territories	69	66	69	67	
U.S.	72	n.m.	71	n.m.	
Other International	61	n.m.	60	n.m.	
Average of newly originated and acquired for the year (4), (5)	71%	70%	72%	71%	
Total Canadian Banking residential mortgages portfolio	55%	54%	55%	55%	

(1) Residential mortgages excludes residential mortgages within the homeline products.

(2) Homeline products are comprised of both residential mortgages and home equity lines of credit.

(3) Region is based upon address of the property mortgaged. The Atlantic provinces are comprised of Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick, the Prairie provinces are comprised of Manitoba, Saskatchewan and Alberta, and B.C. and territories are comprised of British Columbia, Nunavut, Northwest Territories and Yukon.

(4) The average LTV ratio for newly originated and acquired uninsured residential mortgages and homeline products is calculated on a weighted basis by mortgage amounts at origination.

(5) For newly originated mortgages and homeline products, LTV is calculated based on the total facility amount for the residential mortgage and homeline product divided by the value of the related residential property.

n.m. not meaningful

While the above table provides the LTV ratios for the current year originations, the LTV ratio on our outstanding balances of the entire Canadian Banking uninsured residential mortgages, including homeline products, is 54% as at October 31, 2015 (2014 – 55%). This calculation is weighted by mortgage balances and adjusted for property values based on the Teranet – National Bank National Composite House Price Index.

We employ a risk-based approach to property valuation. Property valuation methods include automated valuation models (AVM) and appraisals. An AVM is a tool that estimates the value of a property by reference to market data including sales of comparable properties and price trends specific to the Metropolitan Statistical Area in which the property being valued is located. Using a risk-based approach, we also employ appraisals which can include drive-by or full on-site appraisals.

We continue to actively manage our entire mortgage portfolio and perform stress testing, based on a combination of increasing unemployment, rising interest rates, and a downturn in real estate markets. Our stress test results indicate the vast majority of our residential mortgage and homeline clients have sufficient capacity to continue making payments in the event of a shock to one of the above noted parameters.

Credit quality performance

Provision for (recovery of) credit losses	Table 54	
(Millions of Canadian dollars, except percentage amounts)	2015	2014
Personal & Commercial Banking	\$ 984	\$ 1,103
Wealth Management	46	19
Capital Markets	71	44
Corporate Support and Other ⁽¹⁾	(4)	(2)
Total PCL	\$ 1,097	\$ 1,164
Canada ⁽²⁾		
Residential mortgages	\$ 27	\$ 27
Personal	393	393
Credit cards	371	345
Small business	32	44
Retail	823	809
Wholesale	116	123
PCL on impaired loans	939	932
U.S. ⁽²⁾		
Retail	\$ 1	\$ 2
Wholesale	40	40
PCL on impaired loans	41	42
Other International ⁽²⁾		
Retail	\$ 21	\$ 121
Wholesale	96	69
PCL on impaired loans	117	190
Total PCL	\$ 1,097	\$ 1,164
PCL ratio ⁽³⁾		
Total PCL ratio	0.24%	0.27%
Personal & Commercial Banking	0.27%	0.31%
Canadian Banking	0.25%	0.27%
Caribbean Banking	0.85%	2.44%
Wealth Management	0.26%	0.12%
Capital Markets	0.09%	0.07%

(1) PCL in Corporate Support and Other primarily comprised of PCL for loans not yet identified as impaired. For further information, refer to the How we measure and report our business segments section.

(2) Geographic information is based on residence of borrower.

(3) PCL on impaired loans as a % of average net loans and acceptances.

2015 vs. 2014

Total PCL decreased \$67 million, or 6%, from a year ago. The PCL ratio of 24 bps decreased 3 bps.

PCL in Personal & Commercial Banking decreased \$119 million or 11%, and the PCL ratio of 27 bps decreased 4 bps, mainly due to lower provisions in our Caribbean portfolios partially due to provisions of \$50 million in the prior year on our Caribbean impaired residential mortgage portfolio. Lower provisions in the current year related to our commercial lending portfolios also contributed to the decrease. These factors were partially offset by higher write-offs in our credit cards portfolio.

PCL in Wealth Management increased \$27 million, mainly due to provisions related to our U.S. & International Wealth Management business.

PCL in Capital Markets increased \$27 million or 61%, mainly due to provisions in the oil and gas, consumer goods, and utilities sectors.

Gross impaired loans (GIL)

Table 55

(Millions of Canadian dollars, except percentage amounts)	2015	2014
Personal & Commercial Banking	\$ 1,809	\$ 1,913
Wealth Management	178	11
Capital Markets	296	50
Investor & Treasury Services	2	2
Corporate Support and Other	–	1
Total GIL	\$ 2,285	\$ 1,977
Canada (1)		
Retail	\$ 624	\$ 659
Wholesale	512	487
GIL	1,136	1,146
U.S. (1)		
Retail	\$ 10	\$ 13
Wholesale	204	18
GIL	214	31
Other International (1)		
Retail	\$ 356	\$ 353
Wholesale	579	447
GIL	935	800
Total GIL	\$ 2,285	\$ 1,977
Impaired loans, beginning balance	1,977	2,201
Classified as impaired during the year (new impaired) (2)	1,709	1,317
Net repayments (2)	(158)	(228)
Amounts written off	(1,338)	(1,329)
Other (2), (3)	95	16
Impaired loans, balance at end of year	2,285	1,977
GIL ratio (4)		
Total GIL ratio	0.47%	0.44%
Personal & Commercial Banking	0.49%	0.55%
Canadian Banking	0.30%	0.33%
Caribbean Banking	9.13%	11.05%
Wealth Management	1.01%	0.07%
Capital Markets	0.37%	0.08%

(1) Geographic information is based on residence of borrower.

(2) Certain GIL movements for Canadian Banking retail and wholesale portfolios are generally allocated to New Impaired, as Return to performing status, Net repayments, Sold, and Exchange and other movements amounts are not reasonably determinable. Certain GIL movements for Caribbean Banking retail and wholesale portfolios are generally allocated to repayments and new Impaired, as Return to performing status, Sold, and Exchange and other movements amounts are not reasonably determinable.

(3) Includes Return to performing status during the year, Recoveries of loans and advances previously written off, Sold, and Exchange and other movements.

(4) GIL as a % of loans and acceptances.

2015 vs. 2014

Total GIL increased \$308 million or 16% from a year ago. The GIL ratio of 47 bps increased 3 bps.

GIL in Personal & Commercial Banking decreased \$104 million or 5%, mainly due to lower impaired loans in our commercial lending and residential mortgages portfolios.

GIL in Wealth Management increased \$167 million, mainly due to higher impaired loans in the U.S. & International Wealth Management business.

GIL in Capital Markets increased \$246 million, primarily due to higher impaired loans in the oil and gas, utilities, and consumer goods sectors.

Allowance for credit losses (ACL)		Table 56	
(Millions of Canadian dollars)	2015	2014	
Allowance for impaired loans			
Personal & Commercial Banking	\$ 548	\$	602
Wealth Management	43		10
Capital Markets	61		18
Investor & Treasury Services	2		2
Total allowance for impaired loans	654		632
Canada (1)			
Retail	\$ 142	\$	143
Wholesale	111		160
Allowance for impaired loans	253		303
U.S. (1)			
Retail	\$ 1	\$	1
Wholesale	47		16
Allowance for impaired loans	48		17
Other International (1)			
Retail	\$ 169	\$	172
Wholesale	184		140
Allowance for impaired loans	353		312
Total allowance for impaired loans	654		632
Allowance for loans not yet identified as impaired	1,466		1,453
Total ACL	\$ 2,120	\$	2,085

(1) Geographic information is based on residence of borrower.

2015 vs. 2014

Total ACL increased \$35 million or 2% from a year ago, mainly related to higher ACL in Capital Markets and Wealth Management consistent with higher PCL recorded in the current year. This was partially offset by lower ACL in Personal & Commercial Banking consistent with lower PCL recorded in the current year.

Market risk

Market risk is defined to be the impact of market prices upon our financial condition. This includes potential gains or losses due to changes in market determined variables such as interest rates, credit spreads, equity prices, commodity prices, foreign exchange rates and implied volatilities.

The measures of financial condition impacted by market risk are as follows:

1. Positions whose revaluation gains and losses are reported in Revenue, which includes:
 - a) Changes in the fair value of instruments classified or designated as at fair value through profit and loss (FVTPL),
 - b) Impairment on AFS securities, and
 - c) Hedge ineffectiveness.
2. CET1 capital, which includes:
 - a) All of the above, plus
 - b) Changes in the fair value of AFS securities where revaluation gains and losses are reported as other comprehensive income,
 - c) Changes in the Canadian dollar value of investments in foreign subsidiaries, net of hedges, due to foreign exchange translation, and
 - d) Remeasurements of employee benefit plans, including pension fund assets underperforming in the market resulting in a deficit and volatility between the pension liabilities and the fund assets, and/or, estimated actuarial parameters not being realized such that pension liabilities exceed pension fund assets.
3. CET1 ratio, which includes:
 - a) All of the above, plus
 - b) Changes in risk-weighted assets (RWA) resulting from changes in traded market risk factors, and
 - c) Changes in the Canadian dollar value of RWA due to foreign exchange translation.
4. The economic value of the Bank, which includes:
 - a) Points 1 and 2 above, plus
 - b) Changes in the value of other non-trading positions whose value is a function of market risk factors.

Market risk controls – FVTPL positions

As an element of the Enterprise Risk Appetite Framework, the Board of Directors approves the overall market risk constraints for RBC. GRM creates and manages the control structure for FVTPL positions that ensures that business is conducted consistent with Board requirements. The Market and Trading Credit Risk function within GRM is responsible for creating and managing the controls and governance procedures

that ensure that risk taken is consistent with risk appetite constraints set by the Board. These controls include limits on probabilistic measures of potential loss such as Value-at-Risk and Stressed Value-at-Risk as defined below:

Value-at-Risk (VaR) – is a statistical measure of potential loss for a financial portfolio computed at a given level of confidence and over a defined holding period. We measure VaR at the 99th percentile confidence level for price movements over a one day holding period using historic simulation of the last two years of equally weighted historic market data. These calculations are updated daily with current risk positions with the exception of certain positions which are updated weekly.

Stressed Value-at-Risk (SVaR) – is calculated in an identical manner as VaR with the exception that it is computed using a fixed historical one year period of extreme volatility and its inverse rather than the most recent two year history. The stress period used is the interval from September 2008 through August 2009. Stressed VaR is calculated weekly for all portfolios.

These measures are computed on all positions that are FVTPL for financial reporting purposes, with the exception of those in a designated hedging relationship and those in our insurance businesses.

Market risk measures – FVTPL positions

VaR and SVaR

The following table presents our Market risk VaR and Market risk SVaR figures for 2015 and 2014.

		2015				2014			
		For the year ended October 31				For the year ended October 31			
(Millions of Canadian dollars)	As at	Average	High	Low	As at	Average	High	Low	
	Oct. 31				Oct. 31				
Equity	\$ 20	\$ 12	\$ 31	\$ 6	\$ 9	\$ 10	\$ 17	\$ 4	
Foreign exchange	4	4	8	3	3	2	5	1	
Commodities	3	3	6	2	2	3	7	2	
Interest rate	26	28	34	23	24	27	36	18	
Credit specific (1)	6	8	9	6	8	9	11	6	
Diversification (2)	(18)	(22)	(34)	(15)	(18)	(21)	(30)	(15)	
Market risk VaR	\$ 41	\$ 33	\$ 45	\$ 26	\$ 28	\$ 30	\$ 39	\$ 19	
Market risk Stressed VaR	\$ 109	\$ 104	\$ 157	\$ 73	\$ 83	\$ 92	\$ 121	\$ 69	

* This table represents an integral part of our audited 2015 Annual Consolidated Financial Statements.

(1) General credit spread risk is measured under interest rate VaR while credit specific risk captures issuer-specific credit spread volatility.

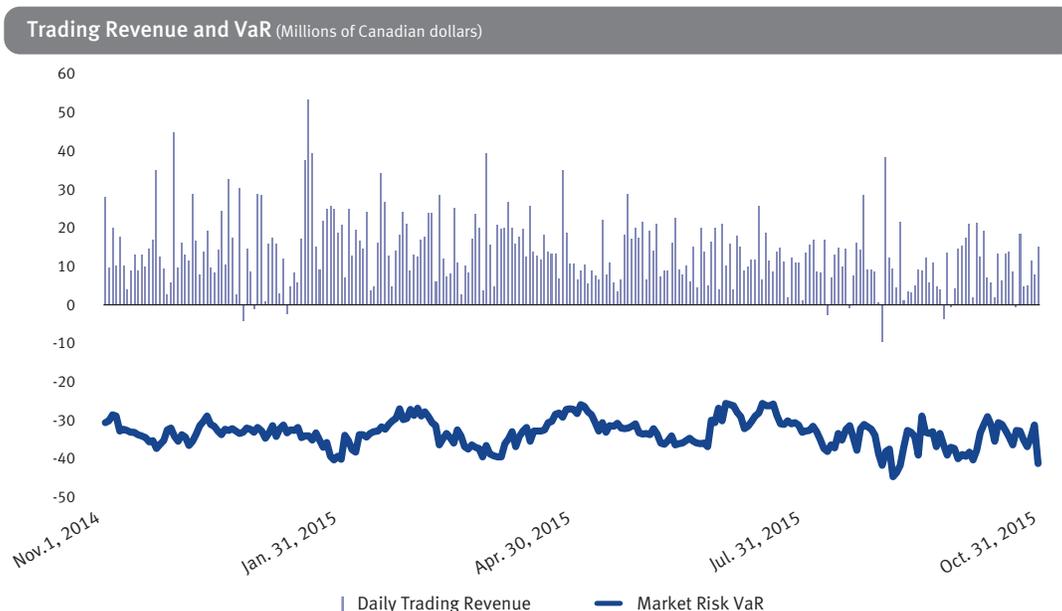
(2) Market risk VaR is less than the sum of the individual risk factor VaR results due to portfolio diversification.

2015 vs. 2014

Average market risk VaR of \$33 million was up \$3 million compared to the prior year, mainly reflecting an increase due to the impact of foreign exchange translation and higher exposure to our credit risk resulting from the implementation of funding valuation adjustments at the end of the fourth quarter of 2014, and by higher equity market volatility.

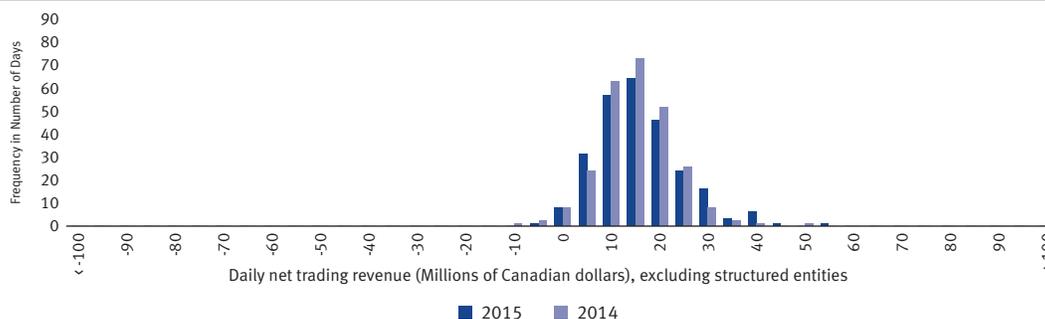
Average SVaR of \$104 million was up \$12 million compared to the prior year, largely due to the implementation of funding valuation adjustments as noted above and the impact of foreign exchange translation.

The following chart graphically displays a bar chart of our daily trading profit and loss and a line chart of our daily Market risk VaR. We incurred net trading losses on nine days in the year totalling \$25 million, as compared to 11 days of losses totalling \$46 million in 2014, with none of the losses exceeding VaR.



The following chart displays the distribution of daily trading profit and loss in 2015. The largest daily reported loss of \$9.4 million on September 1, 2015 was primarily driven by market volatility. Of the nine loss days in fiscal 2015, six occurred within Q4. These loss days were driven by market volatility as a result of uncertainty over China's economy and U.S. federal rate increases in the fourth quarter. The largest reported profit was \$53.4 million with an average daily profit of \$13.6 million.

Trading Revenue for the year ended October 31, 2015 (teb)



Market risk measures for other FVTPL positions – Assets and liabilities of RBC Insurance

We offer a range of insurance products to clients and hold investments to meet the future obligations to policyholders. The investments which support actuarial liabilities are predominantly fixed income assets designated as at FVTPL. Consequently, changes in the fair values of these assets are recorded in investment income in the consolidated statements of income and are largely offset by changes in the fair value of the actuarial liabilities, the impact of which is reflected in insurance policyholder benefits and claims. As at October 31, 2015, we had liabilities with respect to insurance obligations of \$9.1 billion and trading securities of \$7.1 billion in support of the liabilities.

Market risk controls – Structural Interest Rate Risk (SIRR) positions ⁽¹⁾

The interest rate risk arising from non-trading positions is referred to as SIRR, and is subject to a separate set of limits and controls. Non-trading positions in the bank mostly include the Bank's personal and business lending and deposit activities. Factors contributing to SIRR include the mismatch between future asset and liability repricing dates, relative changes in asset and liability rates, and product features that could affect the expected timing of cash flows, such as options to pre-pay loans or redeem term deposits prior to contractual maturity.

The Board of Directors approves the risk appetite for SIRR, and the Asset Liability Committee (ALCO), along with GRM, provides ongoing oversight of SIRR through risk policies, limits, operating standards and other controls. SIRR reports are reviewed regularly by GRM, ALCO, the Group Risk Committee, the Risk Committee of the Board and the Board of Directors.

Details on the non-trading risks included in SIRR are outlined in Table 59.

Structural Interest Rate Risk measurement

To monitor and control SIRR, the Bank assesses two primary financial metrics, 12-month NII (NII risk) and Economic Value of Equity (EVE risk), under a range of market shocks and scenarios. Market scenarios include currency-specific parallel and non-parallel yield curve changes and interest rate volatility shocks.

In measuring NII risk, detailed non-trading balance sheets and income statements are dynamically simulated to determine the impact of market stress scenarios on projected NII. Assets, liabilities and off-balance sheet positions are simulated using monthly time steps over a one-year horizon. The simulations incorporate product maturities, renewals and growth along with prepayment and redemption behaviour. Product pricing and volumes are calibrated from past experience and projected consistent with expectations for a given market stress scenario. EVE risk captures the market value sensitivity of structural positions to changes in longer-term rates. In measuring EVE risk, deterministic (single-scenario) and stochastic (multiple-scenario) valuation techniques are applied to detailed spot position data. NII and EVE risks are measured for a range of market risk stress scenarios which include extreme but plausible market rate changes, across interest rate curves and interest rate volatilities.

The management of NII and EVE risks is complementary and supports efforts by the Bank to generate a sustainable high quality NII stream. NII and EVE risks are measured daily, weekly or monthly depending on the size, complexity and hedge strategy applicable to a balance sheet or business activity.

A number of assumptions affecting cash flows, product re-pricing and the administration of rates underlie the models used to measure NII and EVE risks. The key assumptions pertain to the expected funding profiles for retail mortgage rate commitments, prepayment behaviour for fixed-rate loans, term deposit redemption behaviour, and the treatment of non-maturity deposits. All assumptions are derived empirically from historical client and product experience and consider future product pricing and customer needs. All models and assumptions used to measure SIRR are subject to independent oversight by GRM.

Market risk measures – Structural Interest Rate Positions

The following table shows the potential before-tax impact of an immediate and sustained 100 bps and 200 bps increase or decrease in interest rates on projected 12-month NII and EVE for the Bank's non-trading balance sheet, assuming no subsequent hedging. Rate floors are applied within the declining rates scenarios, with floor levels set based on global rate movement experience. Interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and risk management actions.

⁽¹⁾ SIRR positions include impact of derivatives in hedge accounting relationships and AFS securities used for interest rate risk management.

(Millions of Canadian dollars)	2015						2014		2013	
	Economic value of equity risk			Net interest income risk (2)			Economic value of equity risk	Net interest income risk (2)	Economic value of equity risk	Net interest income risk (2)
	Canadian dollar impact	U.S. dollar impact (1)	Total	Canadian dollar impact	U.S. dollar impact (1)	Total				
Before-tax impact of:										
100bps increase in rates	\$ (1,069)	\$ (3)	\$(1,072)	\$ 280	\$ 9	\$ 289	\$ (916)	\$ 414	\$ (540)	\$ 391
100bps decrease in rates	836	(7)	829	(364)	(6)	(370)	754	(348)	446	(303)
Before-tax impact of:										
200bps increase in rates	(2,208)	(13)	(2,221)	451	21	472	(1,910)	763	(1,160)	758
200bps decrease in rates	929	(4)	925	(372)	(7)	(379)	1,259	(434)	799	(398)

* This table represents an integral part of our audited 2015 Annual Consolidated Financial Statements.

(1) Represents the impact on the non-trading portfolios held in our U.S. banking operations.

(2) Represents the 12-month Net interest income exposure to an instantaneous and sustained shift in interest rates.

At the end of fiscal 2015, an immediate and sustained -100 bps shock would have had a negative impact to the Bank's NII of \$370 million, up from \$348 million at the end of 2014. An immediate and sustained +100bps shock at the end of fiscal 2015 would have had a negative impact to the Bank's EVE of \$1,072 million, up from \$916 million in 2014. The year-over-year increases in NII and EVE risks are primarily attributed to balance sheet growth. A larger fixed-rate asset position contributed to higher EVE risk, but also dampened the increase in NII risk. During fiscal 2015, NII and EVE risks were maintained well within approved limits.

Market risk measures for other material non-trading portfolios

AFS securities

We held \$48 billion of securities classified as AFS as at October 31, 2015, compared to \$46 billion as at October 31, 2014. We hold debt securities designated as AFS primarily as investments and to manage liquidity and interest rate risk in our non-trading banking activity. Certain legacy debt portfolios are also classified as AFS. As at October 31, 2015, our portfolio of AFS securities exposes us to interest rate risk of a pre-tax loss of \$5.4 million as measured by the change in the value of the securities for a one basis point parallel increase in yields. The portfolio also exposes us to credit spread risk of a pre-tax loss of \$14.7 million, as measured by the change in value for a one basis point widening of credit spreads. Changes in the value of these securities are reported in other comprehensive income. The value of the AFS securities included in our Structural Interest Rate Risk measure as at October 31, 2015 was \$34.9 billion. Our AFS securities also include equity exposures of \$1.8 billion as at October 31, 2015, up from \$1.7 billion as at October 31, 2014.

Derivatives related to non-trading activity

Derivatives are also used to hedge market risk exposures unrelated to our trading activity. In aggregate, derivative assets not related to trading activity of \$6.4 billion as at October 31, 2015 were up from \$3.4 billion as at October 31, 2014, and derivative liabilities of \$4.5 billion as at October 31, 2015 were up from \$1.8 billion as at October 31, 2014.

Non-trading derivatives in hedge accounting relationships

The derivative assets and liabilities described above include derivative assets in a designated hedge accounting relationship of \$2.8 billion as at October 31, 2015, up from \$2.0 billion as at October 31, 2014, and derivative liabilities of \$2.0 billion as at October 31, 2015, up from \$837 million last year. These derivative assets and liabilities are included in our Structural Interest Rate Risk measure and other internal non-trading market risk measures. We use interest rate swaps to manage our AFS securities and structural interest rate risk, as described above. To the extent these swaps are considered effective hedges, changes in their fair value are recognized in other comprehensive income. The interest rate risk for the designated cash flow hedges, measured as the change in the fair value of the derivatives for a one basis point parallel increase in yields, was \$5.5 million as of October 31, 2015.

Interest rate swaps are also used to hedge changes in the fair value of certain fixed-rate instruments. Changes in fair value of the interest rate swaps and the hedged instruments that are related to interest rate movements are reflected in income.

We also use foreign exchange derivatives to manage our exposure to equity investments in subsidiaries that are denominated in foreign currencies, particularly the U.S. dollar and British pound. Changes in the fair value of these hedges and the cumulative translation adjustment related to our structural foreign exchange risk are reported in other comprehensive income.

Other non-trading derivatives

Derivatives including interest rate swaps and foreign exchange derivatives that are not in designated hedge accounting relationships are used to manage other non-trading exposures. These derivatives have been designated as fair value through profit and loss with changes in the fair value of these derivatives reflected in income. Derivative assets of \$3.6 billion as at October 31, 2015 on these trades were up from \$1.4 billion as at October 31, 2014, and derivative liabilities of \$2.5 billion as at October 31, 2015 were up from \$1.0 billion last year.

Non-trading foreign exchange rate risk

Foreign exchange rate risk is the potential adverse impact on earnings and economic value due to changes in foreign currency rates. Our revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations as a result of changes in the value of the average Canadian dollar relative to the average value of those currencies. Our most significant exposure is to the U.S. dollar, due to our level of operations in the U.S. and other activities conducted in U.S. dollars. Other significant exposures are to the British pound and the Euro, due to our activities conducted internationally in these currencies. A strengthening or weakening of the Canadian dollar compared to the U.S. dollar, British pound and the Euro could reduce or increase, as applicable, the translated value of our foreign currency denominated revenue, expenses and earnings and could have a significant effect on the results of our operations. We are also exposed to foreign exchange rate risk arising from our investments in foreign operations. For un-hedged equity investments, when the Canadian dollar appreciates against other currencies, the unrealized translation losses on net foreign investments decreases our shareholders' equity through the other components of equity and decreases the translated value of the RWA of the foreign currency-denominated asset. The reverse is true when the Canadian dollar depreciates against other currencies. Consequently, we consider these impacts in selecting an appropriate level of our investments in foreign operations to be hedged.

Our overall trading and non-trading market risk objectives, policies and methodologies have not changed significantly from 2014.

Linkage of market risk to selected balance sheet items

The following table provides the linkages between selected balance sheet items with positions included in our trading market risk and non-trading market risk disclosures, which illustrates how we manage market risk for our assets and liabilities through different risk measures.

Linkage of market risk to selected balance sheet items

Table 59

	As at October 31, 2015			
	Balance sheet amount	Market risk measure		Non-traded risk primary risk sensitivity
Traded risk (1)		Non-traded risk (2)		
(Millions of Canadian dollars)				
Assets subject to market risk				
Cash and due from banks (3)	\$ 12,452	\$ 5,720	\$ 6,732	Interest rate
Interest-bearing deposits with banks (4)	22,690	15,764	6,926	Interest rate
Securities				
Trading (5)	158,703	151,420	7,283	Interest rate, credit spread
Available-for-sale (6)	56,805	–	56,805	Interest rate, credit spread, equity
Assets purchased under reverse repurchase agreements and securities borrowed (7)	174,723	174,594	129	Interest rate
Loans				
Retail (8)	348,183	16,337	331,846	Interest rate
Wholesale (9)	126,069	140	125,929	Interest rate
Allowance for loan losses	(2,029)	–	(2,029)	Interest rate
Segregated fund net assets (10)	830	–	830	Interest rate
Derivatives	105,626	99,233	6,393	Interest rate, foreign exchange
Other assets (11)	64,082	24,578	39,504	Interest rate
Assets not subject to market risk (12)	6,074			
Total assets	\$ 1,074,208	\$ 487,786	\$ 580,348	
Liabilities subject to market risk				
Deposits (13)	\$ 697,227	\$ 151,776	\$ 545,451	Interest rate
Segregated fund liabilities (14)	830	–	830	Interest rate
Other				
Obligations related to securities sold short	47,658	47,658	–	
Obligations related to assets sold under repurchase agreements and securities loaned (15)	83,288	83,165	123	Interest rate
Derivatives	107,860	103,348	4,512	Interest rate, foreign exchange
Other liabilities (16)	58,184	19,757	38,427	Interest rate
Subordinated debentures	7,362	–	7,362	Interest rate
Liabilities not subject to market risk (17)	7,855			
Total liabilities	\$ 1,010,264	\$ 405,704	\$ 596,705	
Total equity	\$ 63,944			
Total liabilities and equity	\$ 1,074,208			

(1) Traded risk includes FVTPL positions whose revaluation gains and losses are reported in revenue. Market risk measures of VaR, SVaR and Stress testing are used as risk controls for traded risk.

(2) Non-traded risk includes positions used in the management of the SIRR and other non-trading portfolios. Other material non-trading portfolios include positions from our Insurance business and AFS securities not included in SIRR.

The following footnotes provide additional information on the Non-traded risk amounts:

(3) Cash and due from banks includes \$5,829 million included in SIRR. An additional \$903 million is included in other risk controls.

(4) Interest-bearing deposits with banks of \$6,926 million are included in SIRR.

(5) Trading securities include \$7,283 million in securities used in the management of the SIRR of RBC Insurance, which is not included in our disclosed SIRR measure.

(6) Includes available-for-sale securities of \$48,164 million and held-to-maturity securities of \$8,641 million. \$43,528 million of the total securities are included in SIRR. An additional \$1,917 million are held by our insurance businesses that do not contribute to our disclosed SIRR measures. The remaining \$11,360 million are captured in other internal non-trading market risk reporting.

(7) Assets purchased under reverse repurchase agreements include \$129 million reflected in SIRR.

(8) Retail loans include \$331,846 million reflected in SIRR.

(9) Wholesale loans include \$124,701 million reflected in SIRR. An additional \$1,228 million is used in the management of the SIRR of RBC Insurance.

(10) Investments for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.

(11) Other assets include \$36,728 million reflected in SIRR. An additional \$2,776 million is used in the management of the SIRR of RBC Insurance.

(12) Assets not subject to market risk include \$6,074 million of physical and other assets.

(13) Deposits include \$545,451 million reflected in SIRR.

(14) Insurance and investment contracts for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.

(15) Obligations related to assets sold under repurchase agreements include \$123 million reflected in SIRR.

(16) Other liabilities include \$28,408 million used in the management of the SIRR of RBC Insurance, and \$10,019 million contribute to our SIRR measure.

(17) Liabilities not subject to market risk include \$7,855 million of payroll related and other liabilities.

As at October 31, 2014

(Millions of Canadian dollars)	Balance sheet amount	Market risk measure		Non-traded risk primary risk sensitivity
		Traded risk (1)	Non-traded risk (2)	
Assets subject to market risk				
Cash and due from banks (3)	\$ 17,421	\$ 10,840	\$ 6,581	Interest rate
Interest-bearing deposits with banks (4)	8,399	5,642	2,757	Interest rate
Securities				
Trading (5)	151,380	144,607	6,773	Interest rate, credit spread
Available-for-sale (6)	47,768	–	47,768	Interest rate, credit spread, equity
Assets purchased under reverse repurchase agreements and securities borrowed (7)	135,580	135,444	136	Interest rate
Loans				
Retail (8)	334,269	16,614	317,655	Interest rate
Wholesale (9)	102,954	427	102,527	Interest rate
Allowance for loan losses	(1,994)	–	(1,994)	Interest rate
Segregated fund net assets (10)	675	–	675	Interest rate
Derivatives	87,402	83,981	3,421	Interest rate, foreign exchange
Other assets (11)	49,878	14,098	35,780	Interest rate
Assets not subject to market risk (12)	6,818			
Total assets	\$ 940,550	\$ 411,653	\$ 522,079	
Liabilities subject to market risk				
Deposits (13)	\$ 614,100	\$ 116,348	\$ 497,752	Interest rate
Segregated fund liabilities (14)	675	–	675	Interest rate
Other				
Obligations related to securities sold short	50,345	50,345	–	
Obligations related to assets sold under repurchase agreements and securities loaned (15)	64,331	64,210	121	Interest rate
Derivatives	88,982	87,145	1,837	Interest rate, foreign exchange
Other liabilities (16)	51,190	14,756	36,434	Interest rate
Subordinated debentures	7,859	–	7,859	Interest rate
Liabilities not subject to market risk (17)	8,565			
Total liabilities	\$ 886,047	\$ 332,804	\$ 544,678	
Total equity	\$ 54,503			
Total liabilities and equity	\$ 940,550			

(1) Traded risk includes FVTPL positions whose revaluation gains and losses are reported in revenue. Market risk measures of VaR, SVaR and Stress testing are used as risk controls for traded risk.

(2) Non-traded risk includes positions used in the management of the SIRR and other non-trading portfolios. Other material non-trading portfolios include positions from our Insurance business and AFS securities not included in SIRR.

The following footnotes provide additional information on the Non-traded risk amounts:

(3) Cash and due from banks includes \$5,494 million included in SIRR. An additional \$1,087 million is included in other risk controls.

(4) Interest-bearing deposits with banks of \$2,757 million are included in SIRR.

(5) Trading securities include \$6,761 million in securities used in the management of the SIRR of RBC Insurance, which is not included in our disclosed SIRR measure.

(6) Available-for-sale securities of \$44,403 million are included in SIRR. An additional \$3,365 million are held by our insurance businesses that do not contribute to our disclosed SIRR measures and certain legacy assets.

(7) Assets purchased under reverse repurchase agreements include \$136 million reflected in SIRR.

(8) Retail loans include \$317,655 million reflected in SIRR.

(9) Wholesale loans include \$101,364 million reflected in SIRR. An additional \$1,163 million is used in the management of the SIRR of RBC Insurance.

(10) Investments for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.

(11) Other assets include \$33,309 million reflected in SIRR. An additional \$2,471 million is used in the management of the SIRR of RBC Insurance.

(12) Assets not subject to market risk include \$6,818 million of physical and other assets.

(13) Deposits include \$497,747 million reflected in SIRR.

(14) Insurance and investment contracts for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.

(15) Obligations related to assets sold under repurchase agreements include \$121 million reflected in SIRR.

(16) Other liabilities include \$9,324 million used in the management of the SIRR of RBC Insurance, and \$27,110 million contribute to our SIRR measure.

(17) Liabilities not subject to market risk include \$8,565 million of payroll related and other liabilities.

Liquidity and funding risk

Liquidity and funding risk (liquidity risk) is the risk that we may be unable to generate sufficient cash or its equivalents in a timely and cost-effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of on-balance sheet and off-balance sheet cash flows that result from banking activities.

Our liquidity profile is structured to ensure that we have sufficient liquidity to satisfy our current and prospective commitments in normal business conditions and in stressed liquidity environments. To achieve these goals, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) and employ several liquidity risk mitigation strategies that include:

- An appropriate balance between the level of exposure allowed under our risk appetite and the cost of risk mitigation;
- Broad funding access, including preserving and promoting a reliable base of core client deposits, ongoing access to diversified sources of wholesale funding and demonstrated capacities to monetize specific asset classes;
- A comprehensive enterprise-wide liquidity stress testing program, contingency planning and status monitoring process that is supported by unencumbered marketable securities;
- Timely and granular risk measurement information;
- Transparent liquidity transfer pricing and cost allocation; and,
- A rigorous first and second line of defense governance model.

Our liquidity management policies, practices and processes reinforce these risk mitigation strategies. In managing liquidity risk, we favour a centralized management approach to the extent possible given the various considerations outlined in this section.

Our liquidity risk objectives, policies and methodologies are regularly reviewed and modified to reflect changing market conditions and business mix, to align with local regulatory developments and to position ourselves for the phasing in of Basel III regulatory liquidity standards. We continue to maintain liquidity and funding that is appropriate for the execution of our strategy. Liquidity risk remains well within our risk appetite.

Regulatory environment

We continue to monitor and, as appropriate, modify our risk policies, practices and processes to align with regulatory developments and to position ourselves for prospective implementation of regulatory reforms in the jurisdictions we operate. In May 2014, OSFI issued the final version of the “Liquidity Adequacy Requirements (LAR)” guideline. OSFI’s LAR guideline converts the Basel Committee on Banking Supervision’s (BCBS) liquidity requirements, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) liquidity metrics together with monitoring tools, into OSFI guidance and formalizes the use of the OSFI-designed Net Cumulative Cash Flow (NCCF) as a supervisory monitoring tool. Consistent with these requirements, we are submitting monthly LCR and NCCF reports and quarterly NSFR results to OSFI as well as Quantitative Impact Study reports on LCR and NSFR for OSFI and BCBS twice a year.

In August 2014, the Government of Canada’s Department of Finance released its bail-in consultation paper “Taxpayer Protection and Bank Recapitalization Regime”. Bail-in regimes are being implemented in a number of jurisdictions following the 2008 financial crisis in an effort to limit taxpayer exposure to potential losses of a failing institution and ensure the institution’s shareholders and creditors remain responsible for bearing such losses. The proposed Canadian regime applies only to domestic systemically important banks (D-SIBs) and focuses on a specific range of liabilities, which excludes deposits. In its April 21, 2015 Federal Budget announcement, the Government of Canada confirmed its intention to move forward with the Taxpayer Protection and Bank Recapitalization Regime, although no firm timeline was provided. For further details, refer to the Legal and regulatory environment risk section.

In October 2014, the BCBS issued the final standard for the NSFR and banks are required to meet the minimum standard by January 1, 2018. The final “Net stable funding ratio disclosure standard” was issued by the BCBS in June 2015 and banks will be required to comply from the date of the first reporting period after January 1, 2018.

Risk measurement

Liquidity risk is measured by applying scenario based assumptions against our assets and liabilities and off-balance sheet commitments to derive expected cash flow profiles over varying time horizons. For instance, government bonds can be quickly and reliably monetized to generate cash inflow prior to their contractual maturity, and similarly, relationship demand deposits can be deemed as having little short-term cash outflow although having the contractual right to redeem on demand. Risk methodologies and underlying assumptions such as these are periodically reviewed and validated to ensure alignment with our operating environment, expected economic and market conditions, rating agency preferences, regulatory requirements and accepted practices.

To control liquidity risk within our liquidity risk appetite, we set limits on various metrics reflecting a range of time horizons and severity of stress conditions. Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

We use an internal metric, derived from the cash capital methodology, which focuses on the structural alignment between long-term illiquid assets and longer-term funding sourced from wholesale investors and core relationship deposits. This metric informs our secured and unsecured wholesale term funding strategy.

Tactical (shorter-term) liquidity risk

We use net cash flow limits in conjunction with stress testing to contain risk within the risk appetite at branch, subsidiary and currency levels. Net cash flow positions are derived from the application of internally generated risk assumptions and parameters to known and anticipated cash flows for all material unencumbered assets, liabilities and off-balance sheet activities. Encumbered assets are not considered a source of available liquidity. We also control tactical liquidity by adhering to group-wide and unit-specific prescribed regulatory standards, such as LCR.

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of and our intended risk responses to sudden stressful events. Our Liquidity Contingency Plan, maintained and administered by Corporate Treasury, guides our actions and responses to liquidity crises. This plan establishes a Liquidity Crisis Team, consisting of senior representatives with relevant subject matter expertise from key business segments and Corporate Support. This team contributes to the development of stress tests and funding plans and meets regularly to assess our liquidity status, conduct stress tests and review liquidity contingency preparedness.

Our stress tests, which include elements of scenario and sensitivity analyses, measure our prospective exposure to global, country-specific and RBC-specific events over a period of several weeks. Different levels of severity are considered for each type of crisis with some scenarios reflecting multiple notch downgrades to our credit ratings.

The contingency liquidity risk planning process informs requirements for our earmarked contingent unencumbered liquid asset pools and identifies contingent funding needs (e.g. draws on committed credit and liquidity lines, demands for more collateral and deposit run-off) and sources (e.g. contingent liquid asset sales and incremental wholesale funding capacity) under various stress scenarios. As described in our Liquidity Contingency Plan, in a particularly acute short-term crisis or if a crisis was extended over a prolonged period, actions would be taken to supplement liquidity available from our earmarked contingency liquid asset pools by limiting cash and collateral outflows and by accessing new sources of liquidity and funding; for example, through sales of liquid assets and securitization and, in extraordinary circumstances, sales of core assets. As well, in light of our current credit ratings and well-developed market relationships and access, it is expected that even under extreme but plausible scenarios, we would continue to be able to access wholesale funding markets, albeit possibly at reduced overall capacity, higher costs and for shorter average maturities.

While we also have potential access to various normal course and emergency central bank lending facilities in Canada, the U.S. and Europe, such facilities are not considered a source of funding in our contingency planning for scenarios identified as extreme but plausible.

Our contingent liquid assets consist primarily of a diversified pool of highly rated and liquid marketable securities and include segregated portfolios (in both Canadian and U.S. dollars) of contingency liquidity assets to address potential on- and off-balance sheet liquidity exposures (such as deposit erosion, loan drawdowns and higher collateral demands), that have been sized through models we have developed or by the scenario analyses and stress tests we conduct periodically. These portfolios are subject to minimum asset quality levels and, as appropriate, other strict eligibility guidelines (e.g. maturity, diversification and eligibility for central bank advances) to maximize ready access to cash in emergencies. In addition to our pools of unencumbered contingent liquid assets, liquid securities held for daily management of short-term tactical cash management or other investment or trading activities, would also be available during times of crisis as sources of liquidity, either via outright sale or to obtain secured funding and meet pledging obligations.

Risk profile

As at October 31, 2015, relationship-based deposits as internally defined, which are the primary source of funding for retail loans and mortgages, were \$422 billion or 51% of our total funding (October 31, 2014 – \$394 billion or 54%). Highly liquid assets were funded primarily by short-term wholesale funding that reflects the expected monetization period of these assets. Wholesale funding is comprised of unsecured short-term liabilities of \$110 billion and secured (repos and short sales) liabilities of \$149 billion, and represented 13% and 18% of total funding as at October 31, 2015, respectively (October 31, 2014 – \$74 billion and \$126 billion or 10% and 17% of total funding, respectively). Long-term wholesale funding is mostly used to fund less liquid wholesale assets. Additional quantitative information is provided in the Funding section below.

As at October 31, 2015, we held earmarked contingency liquidity assets of \$16 billion, of which \$10 billion was in U.S. currency and \$6 billion was in Canadian currency (October 31, 2014 – \$12 billion of which \$7 billion was in U.S. currency and \$5 billion was in Canadian currency). During the year ended October 31, 2015, we held on average \$13 billion, of which \$8 billion was in U.S. currency and \$5 billion was in Canadian currency (October 31, 2014 – \$12 billion of which \$7 billion was in U.S. currency and \$5 billion was in Canadian currency). We also held a derivatives pledging liquid asset buffer of US\$4 billion as at October 31, 2015 to mitigate the volatility of our net pledging requirements for derivatives trading (October 31, 2014 – US\$4 billion). This buffer averaged US\$4 billion during the year ended October 31, 2015 (October 31, 2014 – US\$4 billion). These assets are included in our high-quality liquid asset (HQLA) pool, which is discussed below.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio is a Basel III metric that measures the sufficiency of HQLA available to meet liquidity needs over a 30 day period in an acute stress scenario. The BCBS regulatory minimum coverage level for LCR is currently 60%, increasing each year to 100% by January 2019. In May 2014, OSFI released the final LAR guideline and adopted a minimum LCR requirement of 100% for Canadian banks, effective January 1, 2015.

In July 2014, OSFI released the final guideline on “*Public Disclosure Requirements for Domestic Systemically Important Banks on Liquidity Coverage Ratio (LCR)*”, implementing without change the BCBS LCR Disclosure Standards. OSFI required Canadian banks to disclose the LCR beginning in the second quarter of 2015. LCR is disclosed using the standard Basel disclosure template and is calculated using the average of month-end positions during the quarter.

	As at			
	October 31 2015		July 31 2015	
(Millions of Canadian dollars, except percentage amounts)				
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets				
Total high-quality liquid assets (HQLA)		194,785		176,928
Cash outflows				
Retail deposits and deposits from small business customers, of which:				
(2)	180,831	13,856	175,522	13,368
Stable deposits (3)	60,399	1,813	59,784	1,794
Less stable deposits	120,432	12,043	115,738	11,574
Unsecured wholesale funding, of which:	217,592	97,305	212,854	94,770
Operational deposits (all counterparties) and deposits (4) in networks of cooperative banks	97,255	23,342	93,469	22,417
Non-operational deposits	101,632	55,258	105,075	58,043
Unsecured debt	18,705	18,705	14,310	14,310
Secured wholesale funding		26,709		26,428
Additional requirements, of which:	195,694	51,288	173,249	40,123
Outflows related to derivative exposures and other collateral requirements	43,709	17,747	31,333	8,433
Outflows related to loss of funding on debt products	4,893	4,893	4,828	4,828
Credit and liquidity facilities	147,092	28,648	137,088	26,862
Other contractual funding obligations (5)	28,056	28,056	29,652	29,652
Other contingent funding obligations (6)	433,181	6,224	426,680	6,325
Total cash outflows		223,438		210,666
Cash inflows				
Secured lending (e.g. reverse repos)	119,274	32,982	114,680	31,963
Inflows from fully performing exposures	11,709	8,013	10,138	6,824
Other cash inflows	29,309	29,309	21,018	21,018
Total cash inflows		70,304		59,805
		Total adjusted value		Total adjusted value
Total HQLA		194,785		176,928
Total net cash outflows		153,134		150,861
Liquidity coverage ratio		127%		117%

(1) LCR is calculated using OSFI LAR and BCBS liquidity coverage ratio requirements.

(2) Excludes deposits with 0% cash outflow rates.

(3) As defined by BCBS, stable deposits from retail and small business customers are deposits that are insured and are either held in transactional accounts or the bank has an established relationship with the client making the withdrawal unlikely.

(4) Operational deposits from non-retail and non-small and medium-sized enterprise customers are deposits which clients need to keep with the bank in order to facilitate their access and ability to use payment and settlement systems primarily for clearing, custody and cash management activities.

(5) Other contractual funding obligations primarily include outflows from unsettled securities trades and outflows from obligations related to securities sold short.

(6) Other contingent funding obligations include outflows related to other off-balance sheet facilities that carry low LCR runoff factors (0% – 5%).

We manage our LCR position within a target range that reflects management's liquidity risk tolerance and takes into account business mix, asset composition and funding capabilities. The range is subject to periodic review in light of changes to internal requirements and external developments.

We maintain HQLAs in major currencies with dependable market depth and breadth. Our treasury management practices ensure that the levels of HQLA are actively managed, including contingency and cash management liquid assets, to meet our target LCR objectives. Our Level 1 assets, as calculated according to OSFI LAR and the BCBS LCR requirements, represent 78% of total HQLA. These assets consist of cash, placements with central banks and highly rated securities issued or guaranteed by governments, central banks and supra-national entities.

LCR captures cash flows from on- and off-balance sheet activities that are either expected or could potentially occur within 30 days in an acute stress scenario. Cash outflows result from application of withdrawal and non-renewal factors to demand and term deposits which are differentiated by client type (wholesale, retail and small- and medium-sized enterprises). Cash outflows also arise from business activities that create contingent funding and collateral requirements, such as repo funding, derivatives, short sales of securities and the extension of credit and liquidity commitments to client. Cash inflows arise primarily from maturing secured loans, interbank loans and non-HQLA securities.

LCR does not reflect any market funding capacity that management believes would be available to the Bank in a stress situation. All maturing wholesale debt is assigned 100% outflow in the LCR calculation.

Q4 2015 vs. Q3 2015

LCR of 127% increased from 117% in the prior quarter, primarily due to higher HQLA, and growth in client deposits and wholesale term funding.

Liquidity reserve and asset encumbrance

As recommended by the Enhanced Disclosure Task Force (EDTF), the following tables provide summaries of our liquidity reserve and asset encumbrance. In both tables, unencumbered assets represent, for the most part, a ready source of funding that can be accessed quickly, when required. For the purpose of constructing the following tables, encumbered assets include: (i) bank-owned liquid assets that are either pledged as collateral (e.g. repo financing and derivative pledging) or not freely available due to regulatory or internal policy requirements (e.g. earmarked to satisfy mandatory reserve or local capital adequacy requirements and to maintain continuous access to payment and settlement systems);

(ii) securities received as collateral from securities financing and derivative transactions which have either been re-hypothecated where permissible (e.g. to obtain financing through repos or to cover securities sold short) or have no liquidity value since re-hypothecation is prohibited; and (iii) illiquid assets that have been securitized and sold into the market or that have been pledged as collateral in support of structured term funding vehicles. We do not include encumbered assets as a source of available liquidity in measuring liquidity risk. Unencumbered assets are the difference between total and encumbered assets from both on- and off-balance sheet sources.

Liquidity reserve

In the liquidity reserve table, available liquid assets consist of on-balance sheet cash and securities holdings as well as securities received as collateral from securities financing (reverse repos and off-balance sheet collateral swaps) and derivative transactions and constitute the preferred source for quickly accessing liquidity. The other component of our liquidity reserve consists primarily of uncommitted and undrawn central bank credit facilities that could be accessed under exceptional circumstances provided certain pre-conditions could be met and where advances could be supported by eligible assets (e.g. certain unencumbered loans) not included in the liquid assets category.

Liquidity reserve (1)

Table 61

	As at October 31, 2015				
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
(Millions of Canadian dollars)					
Cash and holding at central banks	\$ 25,075	\$ –	\$ 25,075	\$ 1,719	\$ 23,356
Deposits in other banks available overnight	2,298	–	2,298	1	2,297
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks (2), (3)	257,338	21,216	278,554	127,702	150,852
Other (2)	142,713	31,751	174,464	80,349	94,115
Liquidity assets eligible at central banks (not included above) (4)	63	–	63	–	63
Undrawn credit lines granted by central banks (5)	11,844	–	11,844	–	11,844
Other assets eligible as collateral for discount (6)	128,401	–	128,401	–	128,401
Other liquid assets (7)	21,675	–	21,675	21,675	–
Total liquid assets	\$ 589,407	\$ 52,967	\$ 642,374	\$ 231,446	\$ 410,928

	As at October 31, 2014				
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
(Millions of Canadian dollars)					
Cash and holding at central banks	\$ 18,656	\$ –	\$ 18,656	\$ 1,054	\$ 17,602
Deposits in other banks available overnight	3,855	–	3,855	333	3,522
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks (2), (3)	204,409	16,626	221,035	104,335	116,700
Other (2)	112,878	21,346	134,224	59,345	74,879
Liquidity assets eligible at central banks (not included above) (4)	62	–	62	–	62
Undrawn credit lines granted by central banks (5)	8,372	–	8,372	–	8,372
Other assets eligible as collateral for discount (6)	125,627	–	125,627	–	125,627
Other liquid assets (7)	11,887	–	11,887	11,887	–
Total liquid assets	\$ 485,746	\$ 37,972	\$ 523,718	\$ 176,954	\$ 346,764

	As at	
	October 31 2015	October 31 2014
(Millions of Canadian dollars)		
Royal Bank of Canada	\$ 252,052	\$ 221,007
Foreign branches	64,684	47,570
Subsidiaries	94,192	78,187
Total unencumbered liquid assets	\$ 410,928	\$ 346,764

- (1) Information is provided from an enterprise-wide perspective and amounts shown are based on face value. In managing liquidity risk, we consider legal, regulatory, tax and other constraints that may impede transferability of liquidity among RBC units.
- (2) The Bank-owned liquid assets amount includes securities owned outright by the Bank or acquired via on-balance sheet securities finance transactions.
- (3) Includes liquid securities issued by provincial governments and U.S. government sponsored entities working under U.S. Federal government's conservatorship (e.g. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation).
- (4) Includes Auction Rate Securities.
- (5) Includes loans that qualify as eligible collateral for the discount window facility available to us at the Federal Reserve Bank of New York. Amounts are face value and would be subject to collateral margin requirements applied by the Federal Reserve Bank to determine collateral value/borrowing capacity. Access to the discount window borrowing program is conditional on meeting requirements set by the Federal Reserve Bank and borrowings are typically expected to be infrequent and due to uncommon occurrences requiring temporary accommodation.
- (6) Represents our unencumbered Canadian dollar non-mortgage loan book (at face value) that could, subject to satisfying conditions precedent to borrowing and application of prescribed collateral margin requirements, be pledged to the Bank of Canada for advances under its Emergency Lending Assistance (ELA) program. ELA and other central bank facilities are not considered sources of available liquidity in our normal liquidity risk profile but could in extraordinary circumstances, where normal market liquidity is seriously impaired, allow us and other banks to monetize assets eligible as central bank collateral to meet requirements and mitigate further market liquidity disruption.
- (7) Represents pledges related to OTC and exchange-traded derivative transactions.

2015 vs. 2014

Total liquid assets increased \$119 billion or 23%, reflecting growth in our balance sheet, mainly due to an increase in reverse repo style transactions and securities lending, as well as the impact of foreign exchange translation due to the weaker Canadian dollar.

Asset encumbrance

The Asset encumbrance table provides a comprehensive view of the assets available to the Bank, not just the liquidity reserve, and identifies assets already pledged as well as those available for use as collateral (including unencumbered assets from the Liquidity reserve table) for secured funding purposes. Less liquid assets such as mortgages and credit card receivables can in part be monetized although require more lead time relative to liquid assets. As at October 31, 2015, our assets available as collateral comprised 64% of our total liquid assets.

Asset encumbrance (1)

Table 62

(Millions of Canadian dollars)	As at									
	October 31, 2015					October 31, 2014				
	Encumbered		Unencumbered			Encumbered		Unencumbered		
	Pledged as collateral	Other (2)	Available as collateral (3)	Other (4)	Total (5)	Pledged as collateral	Other (2)	Available as collateral (3)	Other (4)	Total (5)
Cash and due from banks	\$ –	\$ 1,719	\$ 10,733	\$ –	\$ 12,452	\$ 243	\$ 1,054	\$ 15,839	\$ 285	\$ 17,421
Interest-bearing deposits with banks	1	–	22,689	–	22,690	90	–	8,309	–	8,399
Securities										
Trading	66,752	–	90,551	1,400	158,703	64,467	–	85,698	1,215	151,380
Available-for-sale	7,800	669	45,548	2,788	56,805	7,781	57	37,802	2,128	47,768
Assets purchased under reverse repurchase agreements and securities borrowed	148,117	–	89,929	18,398	256,444	111,056	–	68,044	8,432	187,532
Loans										
Retail										
Mortgage securities (6)	35,889	–	33,921	–	69,810	37,441	–	29,042	–	66,483
Mortgage loans (6)	36,422	–	–	127,743	164,165	26,589	–	–	126,185	152,774
Non-mortgage loans	8,314	–	100,040	5,854	114,208	8,915	–	97,223	8,874	115,012
Wholesale	3,376	–	40,867	81,826	126,069	–	–	36,777	66,177	102,954
Allowance for loan losses	–	–	–	(2,029)	(2,029)	–	–	–	(1,994)	(1,994)
Segregated fund net assets	–	–	–	830	830	–	–	–	675	675
Other – Derivatives	–	–	–	105,626	105,626	–	–	–	87,402	87,402
– Others (7)	22,286	–	–	47,870	70,156	11,887	–	–	44,809	56,696
Total assets	\$328,957	\$ 2,388	\$ 434,278	\$390,306	\$1,155,929	\$268,469	\$1,111	\$ 378,734	\$344,188	\$992,502

- (1) Information is provided from an enterprise-wide perspective and amounts shown are based on face value. In managing liquidity risk, we consider legal, regulatory, tax and other constraints that may impede transferability of liquidity among RBC units.
- (2) Includes assets restricted from use to generate secured funding due to legal or other constraints.
- (3) Includes loans that could be used to collateralize central bank advances. Our unencumbered Canadian dollar non-mortgage loan book (at face value) could, subject to satisfying conditions precedent to borrowing and application of prescribed collateral margin requirements, be pledged to the Bank of Canada for advances under its ELA program. We also lodge loans that qualify as eligible collateral for the discount window facility available to us at the Federal Reserve Bank of New York. ELA and other central bank facilities are not considered sources of available liquidity in our normal liquidity risk profile but could in extraordinary circumstances, where normal market liquidity is seriously disrupted, allow us and other banks to monetize assets eligible as central bank collateral to meet requirements and mitigate market liquidity dislocations.
- (4) Other unencumbered assets are not subject to any restrictions on their use to secure funding or as collateral but would not be considered readily available since they may not be acceptable at central banks or for other lending programs.
- (5) Includes bank-owned liquid assets and securities received as collateral from off-balance sheet securities financing and derivative transactions.
- (6) Amounts have been revised from those previously disclosed.
- (7) The Pledged as collateral amounts relate to OTC and exchange traded derivative transactions.

Other sources of liquidity that could be available to mitigate stressed conditions include: (i) our unused wholesale funding capacity, which is regularly assessed using an established methodology that is periodically reviewed and, as necessary, revised, and (ii) central bank borrowing facilities if, in extraordinary circumstances, market sources were not sufficient to allow us to monetize our assets available as collateral to meet our requirements (e.g. Bank of Canada, Federal Reserve Bank, Bank of England, and Bank of France).

Risk control

The Board of Directors annually approves the delegation of liquidity risk authorities to senior management. The Risk Committee of the Board annually approves the LRMF and the Pledging Policy and is responsible for their oversight. The Board of Directors, the Risk Committee, GRC and ALCO review, on a regular basis, reporting on our enterprise-wide liquidity position and status. The GRC, the Policy Review Committee (PRC) and/or ALCO also review liquidity documents prepared for the Board of Directors or its committees.

The PRC under GRM annually approves the Liquidity Risk Policy (LRP), which establishes minimum risk control elements in accordance with the Board-approved risk appetite and LRMF.

The ALCO annually approves the Liquidity Contingency Plan and provides strategic direction and oversight to Corporate Treasury, other functions, and business segments on the management of liquidity.

The LRMF and LRP are supported by operational, desk and product-level policies that implement risk control elements, such as parameters, methodologies, management limits and authorities that govern the measurement and management of liquidity. Stress testing is also employed to assess the robustness of the control framework and inform liquidity contingency plans.

Funding

Funding strategy

Core funding, comprising capital, longer-term wholesale liabilities and a diversified pool of personal and, to a lesser extent, commercial and institutional deposits, is the foundation of our structural liquidity position.

Deposit profile

During 2015, we continued to focus on building our core deposit base. Our relationship-based deposits, including our personal deposit franchise and our commercial and institutional client groups, maintain balances with relatively low volatility profiles and constitute our principal source of reliable funding. Reflecting deposit insurance and at times, exclusive relationships with us, these balances represent a highly stable source of core deposits in most circumstances as they are typically less reactive to market developments than those from transactional lenders and investors. Core deposits consist of our own statistically derived liquidity adjusted estimates of the highly stable portions of our relationship-based balances (demand, notice and fixed-term) together with wholesale funds maturing beyond one year and as at October 31, 2015 represented 64% of our total deposits (2014 – 69%). Over the past year, core deposit balances grew by approximately \$28 billion or 7%. This increase was mainly attributable to growth in relationship-based personal and business and commercial deposits of \$21 billion, of which \$9 billion is due to changes in foreign exchange rates, and to a lesser degree by issuance of longer-term wholesale funding. For further details on the gross dollar amounts of our relationship-based deposits and our wholesale funding maturity schedule, refer to the Risk profile section and the following Composition of wholesale funding table, respectively.

Long-term debt issuance

During 2015, we continued to experience more favourable unsecured wholesale funding access and pricing compared to many of our global peers. As demonstrated in the following table, we also continued to expand our unsecured long-term funding base by selectively issuing, either directly or through our subsidiaries, \$29 billion of term funding in various currencies and markets. Total unsecured long-term funding outstanding increased by \$20 billion.

We primarily use residential mortgage and credit card securitization programs as alternative sources of funding and for liquidity and asset/liability management purposes. Our total secured long-term funding includes outstanding mortgage-backed securities (MBS) sold, covered bonds that are collateralized with residential mortgages, and securities backed by credit card and auto receivables.

Compared to 2014, our outstanding MBS sold decreased \$642 million. Our covered bonds and securitized credit card receivables increased \$10.7 billion and \$556 million, respectively, while auto receivables decreased \$408 million. Notes backed by auto receivables were fully repaid as at October 31, 2015.

For further details, refer to the Off-balance sheet arrangements section.

	As at	
	October 31 2015	October 31 2014
(Millions of Canadian dollars)		
Unsecured long-term funding	\$ 102,081	\$ 82,033
Secured long-term funding	68,228	57,996
Commercial mortgage-backed securities sold	1,080	1,330
Subordinated debentures	7,227	7,832
	\$ 178,616	\$ 149,191

* This table represents an integral part of our 2015 Annual Consolidated Financial Statements.

Our wholesale funding activities are well-diversified by geography, investor segment, instrument, currency, structure and maturity. We maintain an ongoing presence in different funding markets, which allows us to continuously monitor market developments and trends, identify opportunities and risks, and take appropriate and timely actions. We operate longer-term debt issuance registered programs. The following table summarizes these programs with their authorized limits by geography.

Programs by geography

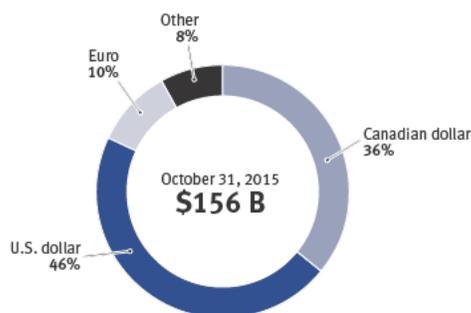
Table 64

Canada	U.S.	Europe/Asia
<ul style="list-style-type: none"> Canadian Shelf – \$15 billion 	<ul style="list-style-type: none"> SEC Registered Medium Term Note Program – US\$40 billion SEC Registered Covered Bond Program – US\$15 billion (1) 	<ul style="list-style-type: none"> European Debt Issuance Program – US\$40 billion Global Covered Bond Program – €32 billion Japanese Issuance Programs – ¥1 trillion

(1) Subject to the €32 billion Global Covered Bond Program limit.

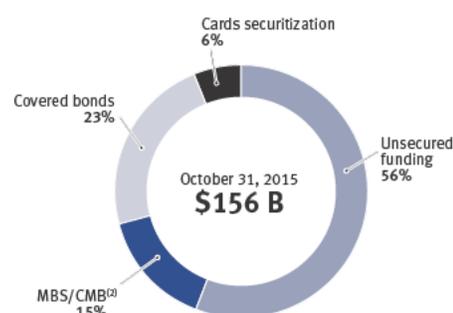
We also raise long-term funding using Canadian Deposit Notes, Canadian NHA MBS, Canada Mortgage Bonds, credit card receivable-backed securities, Kangaroo Bonds (issued in the Australian domestic market by foreign firms) and Yankee Certificates of Deposit (issued in the U.S. domestic market by foreign firms). We continuously evaluate expansion into new markets and untapped investor segments against relative issuance costs since diversification expands our wholesale funding flexibility and minimizes funding concentration and dependency, and generally reduces financing costs. As presented in the following charts, our current long-term debt profile is well diversified by currency as well as by type of long-term funding products. Maintaining competitive credit ratings is also critical to cost-effective funding.

Long-term debt⁽¹⁾ – funding mix by currency of issuance



(1) Based on original term to maturity greater than 1 year.

Long-term debt⁽¹⁾ – funding mix by product



(1) Based on original term to maturity greater than 1 year.

(2) Mortgage-backed securities and Canada Mortgage Bonds.

The following table provides our composition of wholesale funding based on remaining term to maturity and represents our enhanced disclosure in response to EDTF recommendations.

Composition of wholesale funding ⁽¹⁾

Table 65

	As at October 31, 2015							
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Less than 1 year sub-total	1 year to 2 years	2 years and greater	Total
(Millions of Canadian dollars)								
Deposits from banks ⁽²⁾	\$ 5,107	\$ 62	\$ 13	\$ 30	\$ 5,212	\$ –	\$ –	\$ 5,212
Certificates of deposit and commercial paper	9,355	9,648	18,591	10,071	47,665	451	207	48,323
Asset-backed commercial paper ⁽³⁾	883	2,317	6,989	1,572	11,761	–	–	11,761
Senior unsecured medium-term notes ⁽⁴⁾	944	6,403	4,165	11,348	22,860	17,670	42,520	83,050
Senior unsecured structured notes ⁽⁵⁾	151	535	376	577	1,639	679	6,070	8,388
Mortgage securitization	41	1,088	673	2,139	3,941	2,656	16,049	22,646
Covered bonds/asset-backed securities ⁽⁶⁾	–	1,490	509	4,799	6,798	5,999	28,707	41,504
Subordinated liabilities	1,500	–	–	–	1,500	108	5,619	7,227
Other ⁽⁷⁾	4,126	3,283	252	1,318	8,979	12	4,408	13,399
Total	\$ 22,107	\$ 24,826	\$ 31,568	\$ 31,854	\$ 110,355	\$ 27,575	\$ 103,580	\$ 241,510
Of which:								
– Secured	\$ 4,952	\$ 7,035	\$ 8,171	\$ 8,510	\$ 28,668	\$ 8,655	\$ 44,756	\$ 82,079
– Unsecured	17,155	17,791	23,397	23,344	81,687	18,920	58,824	159,431

	As at October 31, 2014							
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Less than 1 year sub-total	1 year to 2 years	2 years and greater	Total
(Millions of Canadian dollars)								
Deposits from banks ⁽²⁾	\$ 3,034	\$ 277	\$ 11	\$ 19	\$ 3,341	\$ –	\$ –	\$ 3,341
Certificates of deposit and commercial paper	859	4,411	10,880	12,873	29,023	2,746	–	31,769
Asset-backed commercial paper ⁽³⁾	518	1,320	1,835	4,114	7,787	–	–	7,787
Senior unsecured medium-term notes ⁽⁴⁾	592	4,573	3,341	3,970	12,476	16,809	38,254	67,539
Senior unsecured structured notes ⁽⁵⁾	336	578	458	1,058	2,430	597	4,729	7,756
Mortgage securitization	58	699	950	1,435	3,142	3,751	16,395	23,288
Covered bonds/asset-backed securities ⁽⁶⁾	761	22	2,391	2,635	5,809	6,934	20,246	32,989
Subordinated liabilities	200	–	–	1,500	1,700	1,500	4,632	7,832
Other ⁽⁷⁾	3,203	51	596	1,111	4,961	42	3,963	8,966
Total	\$ 9,561	\$ 11,931	\$ 20,462	\$ 28,715	\$ 70,669	\$ 32,379	\$ 88,219	\$ 191,267
Of which:								
– Secured	\$ 4,455	\$ 2,041	\$ 5,176	\$ 8,184	\$ 19,856	\$ 10,685	\$ 36,641	\$ 67,182
– Unsecured	5,106	9,890	15,286	20,531	50,813	21,694	51,578	124,085

(1) Excludes bankers' acceptances.

(2) Only includes deposits raised by treasury. Excludes deposits associated with services we provide to these banks (e.g. custody, cash management).

(3) Only includes consolidated liabilities, including our collateralized commercial paper program.

(4) Includes deposit notes.

(5) Includes notes where the payout is tied to movements in foreign exchange, commodities and equities.

(6) Includes credit card, auto and mortgage loans.

(7) Includes tender option bonds (secured) of \$6,088 million (October 31, 2014 – \$3,118 million), bearer deposit notes (unsecured) of \$3,186 million (October 31, 2014 – \$2,215 million) and other long-term structured deposits (unsecured) of \$4,125 million (October 31, 2014 – \$3,633 million).

2015 vs. 2014

Wholesale funding increased \$50.2 billion or 26%. During the year, we issued certificates of deposit and commercial paper, unsecured medium-term notes, and covered bonds in various currencies and markets. The impact of foreign exchange translation as a result of the weaker Canadian dollar also contributed to the increase in wholesale funding.

Contractual maturities of financial assets, financial liabilities and off-balance sheet items

The following tables provide remaining contractual maturity profiles of all our assets, liabilities, and off-balance sheet items at their carrying value (e.g. amortized cost or fair value) at the balance sheet date and have been enhanced in response to EDTF recommendations. Off-balance sheet items are allocated based on the expiry date of the contract.

Details of contractual maturities and commitments to extend funds are a source of information for the management of liquidity risk. Among other purposes, these details form a basis for modelling a behavioural balance sheet with effective maturities to calculate liquidity risk measures. For further details, refer to the Risk measurement section.

Contractual maturities of financial assets, financial liabilities and off-balance sheet items

Table 66

(Millions of Canadian dollars)	As at October 31, 2015									
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 2 years	2 years to 5 years	5 years and greater	With no specific maturity	Total
Assets										
Cash and deposits with banks	\$ 31,355	\$ 56	\$ 17	\$ 530	\$ –	\$ –	\$ –	\$ –	\$ 3,184	\$ 35,142
Securities										
Trading (1)	103,718	21	26	77	51	188	552	5,580	48,490	158,703
Available-for-sale	2,947	3,682	1,345	3,259	988	4,778	20,154	17,802	1,850	56,805
Assets purchased under reverse repurchase agreements and securities borrowed	82,017	30,851	27,871	16,570	7,320	2,601	–	–	7,493	174,723
Loans (net of allowance for loan losses)	15,020	11,828	23,196	22,295	18,234	89,179	184,249	22,833	85,389	472,223
Other										
Customers' liability under acceptances	10,343	3,032	71	–	–	6	1	–	–	13,453
Derivatives	7,492	8,129	3,747	3,074	2,479	10,639	25,244	44,811	11	105,626
Other financial assets	29,187	624	711	169	33	83	26	525	966	32,324
Total financial assets	\$ 282,079	\$ 58,223	\$ 56,984	\$ 45,974	\$ 29,105	\$107,474	\$ 230,226	\$ 91,551	\$ 147,383	\$ 1,048,999
Other non-financial assets	1,792	1,506	526	374	60	866	1,573	2,425	16,087	25,209
Total assets	\$ 283,871	\$ 59,729	\$ 57,510	\$ 46,348	\$ 29,165	\$108,340	\$ 231,799	\$ 93,976	\$ 163,470	\$ 1,074,208
Liabilities and equity										
Deposits (2)										
Unsecured borrowing	\$ 40,992	\$ 29,994	\$ 41,298	\$ 20,175	\$ 27,220	\$ 30,697	\$ 53,403	\$ 14,479	\$ 338,378	\$ 596,636
Secured borrowing	970	4,818	8,602	7,567	2,676	9,708	19,318	9,736	–	63,395
Covered bonds	–	1,961	–	2,293	1,165	3,269	24,064	4,444	–	37,196
Other										
Acceptances	10,343	3,032	71	–	–	6	1	–	–	13,453
Obligations related to securities sold short	47,658	–	–	–	–	–	–	–	–	47,658
Obligations related to assets sold under repurchase agreements and securities loaned	66,099	7,580	1,419	422	800	780	10	–	6,178	83,288
Derivatives	5,376	8,481	4,146	4,205	3,884	12,240	28,140	41,383	5	107,860
Other financial liabilities	23,210	1,236	391	120	198	72	239	4,188	349	30,003
Subordinated debentures	–	–	–	–	–	–	–	7,362	–	7,362
Total financial liabilities	\$ 194,648	\$ 57,102	\$ 55,927	\$ 34,782	\$ 35,943	\$ 56,772	\$ 125,175	\$ 81,592	\$ 344,910	\$ 986,851
Other non-financial liabilities	990	3,291	170	142	169	894	2,564	8,522	6,671	23,413
Equity	–	–	–	–	–	–	–	–	63,944	63,944
Total liabilities and equity	\$ 195,638	\$ 60,393	\$ 56,097	\$ 34,924	\$ 36,112	\$ 57,666	\$ 127,739	\$ 90,114	\$ 415,525	\$ 1,074,208
Off-balance sheet items										
Financial guarantees	\$ 828	\$ 2,798	\$ 1,348	\$ 2,115	\$ 1,552	\$ 2,861	\$ 5,813	\$ 147	\$ 32	\$ 17,494
Lease commitments	62	123	180	175	177	602	1,293	1,808	–	4,420
Commitments to extend credit	3,801	6,005	9,854	10,976	8,281	32,971	127,747	14,127	3,113	216,875
Other credit-related commitments	623	828	1,172	1,169	1,014	343	834	272	74,247	80,502
Other commitments	353	–	–	–	–	–	–	–	–	353
Total off-balance sheet items	\$ 5,667	\$ 9,754	\$ 12,554	\$ 14,435	\$ 11,024	\$ 36,777	\$ 135,687	\$ 16,354	\$ 77,392	\$ 319,644

(1) Trading debt securities classified as fair value through profit or loss have been included in the less than 1 month category as there is no expectation to hold these assets to their contractual maturity.

(2) A major portion of relationship-based deposits are repayable on demand or at short notice on a contractual basis while, in practice, these customer balances form a core base, as explained in the preceding Deposit profile section, for our operations and liquidity needs.

As at October 31, 2014

(Millions of Canadian dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 2 years	2 years to 5 years	5 years and greater	With no specific maturity	Total
Assets										
Cash and deposits with banks	\$ 22,871	\$ 218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,731	\$ 25,820
Securities										
Trading (1)	94,025	13	65	55	48	229	558	5,236	51,151	151,380
Available-for-sale	4,450	3,739	2,528	433	1,113	3,417	18,307	11,959	1,822	47,768
Assets purchased under reverse repurchase agreements and securities borrowed										
	54,860	24,728	28,241	8,261	10,361	2,142	-	-	6,987	135,580
Loans (net of allowance for loan losses) (2)										
	15,445	10,483	15,242	16,794	18,975	99,098	156,873	17,767	84,552	435,229
Other										
Customers' liability under acceptances	8,812	2,498	88	49	9	-	6	-	-	11,462
Derivatives	4,145	7,275	3,483	2,673	1,909	8,507	21,331	38,071	8	87,402
Other financial assets	18,729	672	585	169	106	245	281	828	828	22,443
Total financial assets	\$ 223,337	\$ 49,626	\$ 50,232	\$ 28,434	\$ 32,521	\$ 113,638	\$ 197,356	\$ 73,861	\$ 148,079	\$ 917,084
Other non-financial assets	1,847	779	679	409	52	589	1,637	2,302	15,172	23,466
Total assets	\$ 225,184	\$ 50,405	\$ 50,911	\$ 28,843	\$ 32,573	\$ 114,227	\$ 198,993	\$ 76,163	\$ 163,251	\$ 940,550
Liabilities and equity										
Deposits (3)										
Unsecured borrowing	\$ 31,190	\$ 22,626	\$ 27,372	\$ 18,602	\$ 21,581	\$ 39,693	\$ 49,523	\$ 9,727	\$ 310,045	\$ 530,359
Secured borrowing	561	2,715	2,950	5,331	4,786	9,753	21,099	10,135	-	57,330
Covered bonds	748	-	2,558	-	-	4,908	14,556	3,641	-	26,411
Other										
Acceptances	8,812	2,498	88	49	9	-	6	-	-	11,462
Obligations related to securities sold short	50,345	-	-	-	-	-	-	-	-	50,345
Obligations related to assets sold under repurchase agreements and securities loaned	58,208	1,252	1,306	1,051	574	-	-	-	1,940	64,331
Derivatives	3,745	6,997	3,845	3,351	2,042	10,345	22,295	36,359	3	88,982
Other financial liabilities	18,094	1,121	492	170	298	309	530	4,033	357	25,404
Subordinated debentures	200	-	-	-	-	-	-	7,659	-	7,859
Total financial liabilities	\$ 171,903	\$ 37,209	\$ 38,611	\$ 28,554	\$ 29,290	\$ 65,008	\$ 108,009	\$ 71,554	\$ 312,345	\$ 862,483
Other non-financial liabilities	1,454	2,970	674	57	78	917	2,456	7,956	7,002	23,564
Equity	-	-	-	-	-	-	-	-	54,503	54,503
Total liabilities and equity	\$ 173,357	\$ 40,179	\$ 39,285	\$ 28,611	\$ 29,368	\$ 65,925	\$ 110,465	\$ 79,510	\$ 373,850	\$ 940,550
Off-balance sheet items										
Financial guarantees (2)	\$ 705	\$ 2,638	\$ 2,590	\$ 2,064	\$ 2,151	\$ 1,345	\$ 5,410	\$ 244	\$ 61	\$ 17,208
Lease commitments	58	114	167	165	161	634	1,220	1,291	-	3,810
Commitments to extend credit	1,670	6,345	7,336	6,779	8,562	19,942	107,868	11,708	2,306	172,516
Other credit-related commitments	503	782	966	1,232	1,183	315	996	242	62,325	68,544
Other commitments	246	450	413	-	-	-	-	-	-	1,109
Total off-balance sheet items	\$ 3,182	\$ 10,329	\$ 11,472	\$ 10,240	\$ 12,057	\$ 22,236	\$ 115,494	\$ 13,485	\$ 64,692	\$ 263,187

(1) Trading debt securities classified as fair value through profit or loss have been included in the less than 1 month category as there is no expectation to hold these assets to their contractual maturity.

(2) Amounts have been revised from those previously presented.

(3) A major portion of relationship-based deposits are repayable on demand or at short notice on a contractual basis while, in practice, these customer balances form a core base, as explained in the preceding Deposit profile section, for our operations and liquidity needs.

Contractual maturities of financial liabilities and off-balance sheet items – undiscounted basis

The following tables provide remaining contractual maturity analysis of our financial liabilities and off-balance sheet items. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (e.g. par value or amount payable upon maturity). The amounts do not reconcile directly with those in our consolidated balance sheets as the table only incorporates cash flows relating to payments on maturity of the instrument and do not recognize premiums, discounts or mark-to-market adjustments recognized in the instruments' carrying value as at the balance sheet date. Financial liabilities are based upon the earliest period in which they are required to be paid. For off-balance sheet items, the undiscounted cash flows potentially payable under financial guarantees and commitments to extend credit are classified on the basis of the earliest date they can be called.

(Millions of Canadian dollars)	As at October 31, 2015					
	On demand	Within 1 year	1 year to 2 years	2 years to 5 years	5 years and greater	Total
Financial liabilities						
Deposits (1)	\$ 311,743	\$ 216,876	\$ 43,631	\$ 96,104	\$ 28,539	\$ 696,893
Other						
Acceptances	–	13,446	6	1	–	13,453
Obligations related to securities sold short	–	47,658	–	–	–	47,658
Obligations related to assets sold under repurchase agreements and securities loaned	6,179	76,320	780	10	–	83,289
Other liabilities	334	25,174	72	237	4,139	29,956
Subordinated debentures	–	–	–	–	7,227	7,227
	318,256	379,474	44,489	96,352	39,905	878,476
Off-balance sheet items						
Financial guarantees (2)	7,079	10,399	11	4	1	17,494
Operating leases	–	717	602	1,293	1,808	4,420
Commitments to extend credit (2)	172,927	43,929	4	2	13	216,875
	180,006	55,045	617	1,299	1,822	238,789
Total financial liabilities and off-balance sheet items	\$ 498,262	\$ 434,519	\$ 45,106	\$ 97,651	\$ 41,727	\$ 1,117,265

(Millions of Canadian dollars)	As at October 31, 2014					
	On demand	Within 1 year	1 year to 2 years	2 years to 5 years	5 years and greater	Total
Financial liabilities						
Deposits (1)	\$ 289,204	\$ 161,953	\$ 54,385	\$ 84,609	\$ 22,967	\$ 613,118
Other						
Acceptances	–	11,456	–	6	–	11,462
Obligations related to securities sold short	–	50,345	–	–	–	50,345
Obligations related to assets sold under repurchase agreements and securities loaned	1,941	62,391	–	–	–	64,332
Other liabilities	358	20,174	309	530	4,013	25,384
Subordinated debentures	–	200	–	–	7,632	7,832
	291,503	306,519	54,694	85,145	34,612	772,473
Off-balance sheet items						
Financial guarantees (2)	5,883	11,206	111	7	1	17,208
Operating leases	–	665	634	1,220	1,291	3,810
Commitments to extend credit (2)	137,696	34,819	1	–	–	172,516
	143,579	46,690	746	1,227	1,292	193,534
Total financial liabilities and off-balance sheet items	\$ 435,082	\$ 353,209	\$ 55,440	\$ 86,372	\$ 35,904	\$ 966,007

* This table represents an integral part of our 2015 Annual Consolidated Financial Statements.

- (1) A major portion of relationship-based deposits are repayable on demand or at short notice on a contractual basis while, in practice, these customer balances form a core base, as explained in the preceding Deposit profile section, for our operations and liquidity needs.
- (2) We believe that it is highly unlikely that all or substantially all of these guarantees and commitments will be drawn or settled within one year, and contracts may expire without being drawn or settled. The management of the liquidity risk associated with potential extensions of funds is outlined in the preceding Risk measurement section.

Credit ratings

Our ability to access unsecured funding markets and to engage in certain collateralized business activities on a cost-effective basis are primarily dependent upon maintaining competitive credit ratings. Credit ratings and outlooks provided by rating agencies reflect their views and are based on their methodologies. Ratings are subject to change from time to time, based on a number of factors including, but not limited to, our financial strength, competitive position and liquidity and other factors not completely within our control.

On January 23, 2015, Fitch Ratings affirmed our ratings with a stable outlook along with the ratings of the other five largest Canadian banks.

On May 20, 2015, Dominion Bond Rating Services (DBRS) revised the outlook on our senior and subordinated debt ratings from stable to negative, along with the outlook of the other five largest Canadian banks. The outlook revision is linked to DBRS' view that expected changes in Canadian legislation and regulation imply that the potential for timely systemic support for D-SIBs is declining.

On July 16, 2015, DBRS affirmed our ratings with a negative outlook along with the ratings of the other five largest Canadian banks.

On October 9, 2015, Standard & Poor's affirmed our ratings with a negative outlook.

On November 3, 2015, Moody's affirmed our ratings with a negative outlook along with the ratings of the other five largest Canadian banks.

The following table presents our major credit ratings⁽¹⁾ and outlooks as at December 1, 2015:

Credit ratings	As at December 1, 2015		
	Short-term debt	Senior long-term debt	Outlook
Moody's	P-1	Aa3	negative
Standard & Poor's	A-1+	AA-	negative
Fitch Ratings	F1+	AA	stable
Dominion Bond Rating Services	R-1(high)	AA	negative

(1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation inasmuch as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them, and are subject to revision or withdrawal at any time by the rating organization.

Additional contractual obligations for rating downgrades

A lowering of our credit rating may have potentially adverse consequences for our funding capacity or access to the capital markets, may also affect our ability, and the cost, to enter into normal course derivative or hedging transactions and may require us to post additional collateral under certain contracts. However, we estimate, based on periodic reviews of ratings triggers embedded in our existing businesses and of our funding capacity sensitivity, that a minor downgrade would not significantly influence our liability composition, funding access, collateral usage and associated costs. The following table presents the additional collateral obligations required at the reporting date in the event of a one-, two- or three-notch downgrade to our credit ratings. These additional collateral obligations are incremental requirements for each successive downgrade and do not represent the cumulative impact of multiple downgrades. The amounts reported change periodically as a result of several factors, including the transfer of trading activity to centrally cleared financial market infrastructures and exchanges, the expiration of transactions with downgrade triggers, the imposition of internal limitations on new agreements to exclude downgrade triggers, as well as normal course mark to market of positions with collateralized counterparties moving from a negative to a positive position. There is no outstanding senior debt issued in the market that contains rating triggers which would lead to early prepayment of principal.

Additional contractual obligations for rating downgrades

Table 69

(Millions of Canadian dollars)	As at					
	October 31 2015			October 31 2014		
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Contractual derivatives funding or margin requirements	\$ 760	\$ 132	\$ 972	\$ 518	\$ 143	\$ 790
Other contractual funding or margin requirements ⁽¹⁾	421	88	–	396	62	–

(1) Includes GICs issued by our municipal markets business out of New York and London.

Insurance risk

Insurance risk refers to the potential financial loss that may arise where the amount, timing and/or frequency of benefit payments under insurance and reinsurance contracts are different than expected. Insurance risk is distinct from those risks covered by other parts of our risk management framework (e.g. credit, market and operational risk) where those risks are ancillary to, or accompany the risk transfer.

We have implemented an Insurance Risk Framework that provides an overview of our processes and tools for identifying, assessing, managing and reporting on the insurance risks that face the organization. Key insurance-specific processes and tools include: risk appetite, delegated authorities and risk limits, capital management, Own Risk and Solvency Assessment (ORSA), Comprehensive Identification and Assessment of Risk (CIAR) process, stress testing, insurance product and project risk review and approval, insurance product pricing, reinsurance, insurance underwriting, insurance claims management, experience study analysis, actuarial liabilities, and embedded value.

Operational risk

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk is embedded in all our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit or market risk.

Three Lines of Defence

Operational risk follows our established Three Lines of Defence governance model. This model encompasses the organizational roles and responsibilities for a co-ordinated enterprise-wide approach for the management of operational risk. For further details, refer to the Risk management – Enterprise risk management section.

Operational Risk Framework

We have put in place an Operational Risk Framework which is founded on the principles of our Enterprise Risk Management Framework and sets out the processes to identify, assess and monitor operational risk. The processes are established through the following core programs:

- Internal events – Internal events are specific instances where operational risk leads to or could have led to an unintended, identifiable impact. The internal events program provides a structured and consistent approach for collecting and analyzing internal event data to facilitate the analysis of the operational risk events affecting RBC.
- External events – External events are operational risk events that affect institutions other than RBC. External event monitoring and analysis is critical to gain awareness of operational risk experience within the industry and to identify emerging industry trends.

- Business Environment and Internal Control Factors (BEICF) Assessments – BEICF Assessments are conducted to improve business decision-making by gaining awareness of the key risks and the strengths and vulnerabilities of internal controls. Key BEICF Assessment processes include: Risk and Control Assessments conducted at both enterprise and business levels; and Change Initiatives and New/Amended Product Assessments conducted to ensure understanding of the risk and reward trade-off for business initiatives (e.g. new products, acquisitions, changes in business processes, implementation of new technology, etc.).
- Scenario analysis – Scenario analysis is a structured and disciplined process for making reasonable assessments of infrequent, yet plausible, severe operational risk events. Understanding how vulnerable RBC is to such “tail risks” identifies mitigating actions and informs the determination of related operational risk thresholds as part of the articulation of operational risk appetite.
- BEICF monitoring – BEICF monitoring is conducted on an ongoing basis through Key Risk Indicators (KRIs) and other assurance/monitoring programs (e.g. Business Unit monitoring, Second line of Defence monitoring, audit results, etc.).

Conclusions from the operational risk programs enable learning based on “what has happened to us, could it happen again elsewhere in RBC and what controls do we need to amend or implement”, support the articulation of operational risk appetite and are used to inform the overall level of exposure to operational risk, which defines our operational risk profile. The profile includes significant operational risk exposures, potential new and emerging exposures and trends, and overall conclusions on the control environment and risk outlook. We proactively identify and investigate corporate insurance opportunities to mitigate and reduce potential future impacts of operational risk.

We consider risk/reward decisions in striking the balance between accepting potential losses versus incurring costs of mitigation, the expression of which is in the form of our operational risk appetite. Our operational risk appetite is established at the board level and cascaded throughout each of our business segments.

Management reports have been implemented at various levels of RBC in order to support proactive management of operational risk and transparency of risk exposures. Reports are provided on a regular basis and provide detail on the main drivers of the risk status and trend for each of our business segments and RBC overall. In addition, changes to the operational risk profile that are not aligned to our business strategy or operational risk appetite are identified and discussed.

Our operations expose us to many different risks, which may adversely affect our businesses and financial results. The following list is not exhaustive, as other factors could also adversely affect our results.

Ability to attract and to retain employees

Competition for qualified employees is intense within the financial services industry and from non-financial industries looking to recruit. Although our goal is to attract and retain qualified employees, there is no assurance that we will be able to do so.

Accuracy and completeness of information on clients and counterparties

When deciding to extend credit or enter into other transactions with clients and counterparties, we may rely on information provided by or on behalf of clients and counterparties, including audited financial statements and other financial information. We may also rely on representations of clients and counterparties as to the completeness and accuracy of that information. Our financial results could be adversely impacted if the financial statements and other financial information relating to clients and counterparties on whom we rely do not comply with GAAP or are materially misleading.

Development and integration of our distribution networks

We regularly explore opportunities to expand our distribution networks, either through acquisitions or organically by adding, for example, new bank branches, insurance offices, online savings accounts and ATMs in high-growth, receptive markets. However, if we are not able to develop or integrate these distribution networks effectively, our results of operations and financial condition may be negatively affected.

Model risk

The use of models plays an important role in many of our business activities. We use a variety of models for many purposes, including the valuation of financial products, risk measurement and management of different types of risk. Model risk is the risk of error in the design, development, implementation or subsequent use of models. We have established an enterprise-wide Model Risk Management Framework, including principles, policies and procedures, roles and responsibilities to manage model risk. One of the key factors in the framework to mitigate model risk is independent validation.

Information technology risk

We use information technology for business operations and the enablement of strategic business goals and objectives. Information technology risk is the risk to our business associated with the use, ownership, operation, involvement, influence and adoption of information technology within the enterprise. It consists of information technology related events (e.g. cybersecurity incidents) that could potentially have an adverse impact on our business. Such events could result in business interruption, service disruptions, theft of intellectual property and confidential information, additional regulatory scrutiny, litigation and reputational damage. To manage our information technology risk, we have established an enterprise-wide Information Technology Risk Management Framework.

Information management risk

Information management risk is the risk of loss or harm resulting from the failure to manage information appropriately throughout its lifecycle. Exposure to this risk exists when information is acquired or created, processed, used, shared, accessed, retained or disposed. With respect to personal information, the failure to manage information appropriately can result in the misuse of personal information or privacy breaches. With respect to client information, the inability to process information accurately and on a timely basis can result in service disruptions. With respect to corporate and proprietary information, the mismanagement of information can result in the disclosure of confidential information, the unavailability of information when it is required and the reliance on inaccurate information for decision-making purposes. Such events could lead to legal and regulatory consequences, reputational damage and financial loss.

Processing and execution risk

Processing and execution risk is the risk of failure to effectively design, implement and execute a process. Exposure to this risk is global, existing in every RBC location and operation, and in every RBC employee’s actions. Examples of processing and execution events range from selecting the wrong interest rates, duplicating wire payment instructions, transposing figures, processing a foreign exchange transaction incorrectly, underinsuring a property and incorrectly investing funds. The potential impacts of such events include financial loss, legal and regulatory consequences and reputational damage. When identified, these situations are assessed, analyzed and mitigating actions are undertaken.

Social media risk

The scale and profile of social media has grown to present a number of risks. These risks include brand and reputational damage, information leaks, non-compliance with regulatory requirements and governance risk. To manage the risks associated with social media, we have implemented an enterprise-wide policy as well as business unit policies on the usage of external social media, which sets out the requirements for the business and corporate use of social media and is part of our larger Social Media Governance Framework.

Third party and outsourcing risk

Failing to effectively manage our service providers may expose RBC to service disruptions, regulatory action, financial loss, litigation or reputational damage. Third party and outsourcing risk has received increased oversight from regulators and attention from the media. We formalized and standardized our expectations of our suppliers with a principles-based Supplier Code of Conduct to ensure their behaviour aligns with our standards in the following key areas: business integrity, responsible business practices, responsible treatment of individuals, and the environment.

Operational risk capital

We currently use the Standardized Approach to calculate operational risk capital requirements and the allocation of capital amongst our business units. We are in the process of attaining accreditation towards the Basel II Advanced Measurement Approach (AMA) as the approved regulatory capital methodology. We have submitted our full AMA Application to the OSFI and, until approval is received, we are performing parallel runs of the capital model. Output from capital modeling will provide further transparency around the materiality of key risks by quantifying the expected losses and unexpected losses.

Operational risk loss events

During 2015, we did not experience any material operational risk loss event. For further details on our contingencies, including litigation, refer to Notes 26 and 27 of our 2015 Annual Consolidated Financial Statements.

Regulatory compliance risk

Regulatory compliance risk is the risk of potential non-conformance with laws, rules, regulations and prescribed practices in any jurisdiction in which we operate. Issues regarding compliance with laws and regulations can arise in a number of areas in a large complex financial institution such as RBC, and are often the result of inadequate or failed internal processes, people or systems.

Laws and regulations are in place to protect the financial and other interests of our clients, investors and the public. As a large-scale global financial institution, we are subject to numerous laws and to extensive and evolving regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Canada, the U.S., Europe and other jurisdictions in which we operate. In recent years, such regulation has become increasingly extensive and complex. In addition, the enforcement of regulatory matters has intensified. Recent resolution of such matters involving other global financial institutions have involved the payment of substantial penalties, agreements with respect to future operation of their business, actions with respect to relevant personnel and guilty pleas with respect to criminal charges.

Operating in this increasingly complex regulatory environment and intense regulatory enforcement environment, we are and have been subject to a variety of legal proceedings, including civil claims and lawsuits, criminal charges, regulatory examinations, investigations, audits and requests for information by various governmental regulatory agencies and law enforcement authorities in various jurisdictions, and we anticipate that our ongoing business activities will give rise to such matters in the future. Changes to laws, including tax laws, regulations or regulatory policies, as well as the changes in how they are interpreted, implemented or enforced, could adversely affect us, for example, by lowering barriers to entry in the businesses in which we operate, increasing our costs of compliance or limiting our activities and ability to execute our strategic plans. Further, there is no assurance that we always will be or will be deemed to be in compliance with laws, regulations or regulatory policies. Accordingly, it is possible that we could receive a judicial or regulatory judgment or decision that results in fines, damages, penalties, and other costs or injunctions, criminal convictions or loss of licences or registrations that would damage our reputation and negatively impact our earnings. In addition, we are subject to litigation arising in the ordinary course of our business and the adverse resolution of any litigation could have a significant adverse effect on our results or could give rise to significant reputational damage, which in turn could impact our future business prospects.

Global compliance has developed a Regulatory Compliance Management Framework consistent with regulatory expectations from OSFI and other regulators. The framework is designed to manage and mitigate the regulatory compliance risks associated with failing to comply with, or adapt to, current and changing laws and regulations in the jurisdictions in which we operate.

Regulatory compliance risk has been further defined as risks associated with financial crime (which includes, but is not limited to, money laundering, bribery and sanctions), privacy, market conduct, consumer protection, business conduct and prudential requirements. Specific compliance policies, procedures and supporting frameworks have been developed to support the minimum requirements for the prudent management of regulatory compliance risk. Within the framework there are five elements that form a cycle by which all regulatory compliance risk management programs are developed, implemented and maintained.

- The first element is intended to ensure our regulatory compliance programs evolve alongside our business activities and operations.
- The second element is intended to ensure regulatory compliance risks are identified and assessed appropriately so regulatory compliance programs are designed in a manner to most effectively meet regulatory requirements.
- The third element relates to the design and implementation of specific controls.
- The fourth element is intended to ensure appropriate monitoring and oversight of the effectiveness of the controls.
- Lastly, the fifth element is intended to ensure the timely escalation and resolution of issues, and clear and transparent reporting. This is a critical step in enabling senior management and the Board of Directors to effectively perform their management and oversight responsibilities.

Strategic risk

Strategic risk is the risk that the enterprise or particular business areas will make inappropriate strategic choices, or will be unable to successfully implement selected strategies or related plans and decisions. Business strategy is the major driver of our risk profile and consequently the strategic choices we make in terms of business mix determine how our risk profile changes.

Responsibility for selecting and successfully implementing business strategies is mandated to the individual heads of the businesses. Oversight of strategic risk is the responsibility of the heads of the business segments and their operating committees, the Enterprise Strategy Office, Group Executive, and the Board of Directors. The Enterprise Strategy group supports the management of strategic risk through the strategic planning process (articulated within our Enterprise Strategic Planning Policy) ensuring alignment across our business, financial, capital and risk planning.

For details on the key strategic priorities for our business segments, refer to the Business segment results section.

Reputation risk

Reputation risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in the loss of business, legal action or increased regulatory oversight.

Reputation risk can arise from a number of events and primarily occurs in connection with credit risk, regulatory, legal and operational risks and failure to maintain strong risk conduct. Operational failures and non-compliance with laws and regulations can have a significant reputational impact on us.

We have put in place a Reputation Risk Framework which provides an overview of our approach to the management of this risk. It focuses on our organizational responsibilities, and controls in place to mitigate reputation risks.

The following principles guide our management of reputation risk:

- We must operate with integrity at all times in order to sustain a strong and positive reputation.
- Protecting our reputation is the responsibility of all our employees, including senior management, and extends to all members of the Board of Directors.

Legal and regulatory environment risk

Certain regulatory reforms will impact the way in which we operate, both in Canada and abroad, and the full impact of some of these reforms on our business will not be known until final rules are implemented and market practices have developed in response. We continue to respond to these and other developments and are working to minimize any potential adverse business or economic impact. The following regulatory reforms have potential to increase our operational, compliance, and technology costs and adversely affect our profitability.

Basel Committee on Banking Supervision global standards for capital and liquidity

The Basel Committee's standards for capital and liquidity (commonly referred to as "Basel III") establish minimum requirements for common equity, increased capital requirements for counterparty credit exposures, a new global leverage ratio and measures to promote the build-up of capital that can be drawn down in periods of stress. Banks around the world continue to adopt the new standards in accordance with domestic implementation.

In January 2013, the BCBS released final rules for the short-term liquidity standard, the LCR, with implementation commencing in 2015. Subsequently in October 2014, the BCBS released final rules for the long-term liquidity standard, the NSFR, with implementation commencing in 2018. For further details on how our business may be impacted, refer to the Liquidity and funding risk section.

In January 2014, the BCBS released final rules for the global leverage requirement, which takes effect as a 3% minimum supplemental capital requirement on January 1, 2018. For further details on how our business may be impacted, refer to the Capital management section.

In September 2014, U.S. regulators approved final rules to apply a U.S.-based supplemental leverage requirement and LCR requirement to large banking organizations operating in the U.S. The Fed has indicated that future rulemakings likely will establish single counterparty credit limits, early remediation requirements, and an LCR for U.S. Intermediate Holding Companies (IHCs) as well as Foreign Banking Organization branches and agencies. IHCs may be subject in whole or in part to additional rules regarding capital, liquidity, and other enhanced standards, including the NSFR.

Basel III requirements have been implemented in the European Union (EU) through a revised Capital Requirements Directive (CRD IV) and accompanying Capital Requirements Regulation (CRR), both of which became effective January 1, 2014 and are to be phased-in gradually through 2019. CRD IV/CRR also introduces improvements to the transparency of activities of banks and investment funds in different countries, adds a host of governance standards (including standards for executive compensation and bonuses, board oversight of risk and board diversity), and implements a common reporting framework for regulatory reporting. These changes have not had a significant impact on capital requirements for our European subsidiaries. The LCR has now been implemented in the EU, while the reporting phase of the Basel III leverage ratio is due to begin on January 1, 2016.

Dodd-Frank – Enhanced Supervision of Foreign Banking Organizations

On February 18, 2014, the U.S. Federal Reserve (Fed) finalized a new oversight regime for non-U.S. banks with subsidiaries, affiliates and branches operating in the U.S. (*Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations*), intended to address the perceived systemic risk that large foreign banks could pose to U.S. financial markets.

As a Foreign Banking Organization with more than US\$50 billion in U.S. non-branch assets, RBC is required to establish a separately capitalized U.S. IHC, into which all of our U.S. legal entities must be placed and for which certain U.S.-based requirements will apply. The IHC will be subject to Fed oversight comparable to U.S. bank holding companies. As a result, changes to our existing practices will be required to provide the governance and infrastructure needed to support these U.S.-specific requirements in areas of financial reporting, capital and liquidity, risk management, and stress testing. In addition, there will be limitations on capital distributions from the IHC to RBC, and such distributions will be subject to supervisory approval. The requirements will be phased-in between 2015 and 2018, with RBC needing to form its IHC by July 1, 2016. An implementation plan outlining our approach for meeting these requirements including forming the IHC was filed with the Fed initially on December 22, 2014. A modified implementation plan was subsequently filed on April 30, 2015 to reflect the planned integration of City National into the IHC. The Fed has stated that it plans to issue, at a later date, separate rules to apply early remediation requirements, and limits on exposures to single counterparties to the IHC. The final rule also deferred application of U.S.-based liquidity and leverage requirements. On October 7, 2015, the Fed approved our request for one-year extensions for the IHC to comply with the Fed's capital plan and stress test requirements. Specifically, the IHC will now be required to comply with the Fed's capital plan requirement beginning January 1, 2017, and with the Fed's stress test requirement beginning January 1, 2018. This extension was granted in consideration of the Fed's October 7, 2015 approval of our acquisition of City National. The Fed agreed with our view that the extension will allow for a more complete integration of City National into our capital plan and stress test development efforts, and that the extension is unlikely to present an undue risk to financial stability. RBC has incurred, and will continue to incur, costs to comply with these additional U.S.-based financial reporting, risk management and governance requirements and we may have less flexibility in our capital and liquidity planning which historically has been managed on a global basis. These impacts are not expected to materially affect our overall results.

Canadian bail-in regime

Bail-in regimes are being implemented in a number of jurisdictions following the 2008 financial crisis in an effort to limit taxpayer exposure to potential losses of a failing institution and ensure the institution's shareholders and creditors remain responsible for bearing such losses. The former Federal government under the Conservative party had proposed a "bail-in" regime for the six D-SIBs which would have granted the Federal government the power to permanently cancel a D-SIB's existing common shares and/or convert their long-term senior debt into common shares once the institution was no longer viable. Higher Loss Absorbency requirements would have also applied to ensure affected banks maintained sufficient capital to absorb the proposed conversions. It is unclear at this time whether the recently elected Liberal government will reinstate the Conservative government's proposal and what impact any proposed changes might have on our cost of funding.

Total loss-absorbing capacity (TLAC)

On November 9, 2015, the Financial Stability Board (FSB) finalized minimum common international standards related to the total loss-absorbing capacity (TLAC) of global systemically important banks (G-SIBs). The standards are intended to address the sufficiency of G-SIBs' capital to absorb losses in a resolution situation in a manner that minimizes impact on financial stability and ensures continuity of critical and long-term debt functions. Under the final standards, G-SIBs would be expected to meet a 16% Risk Weighted Asset (RWA) requirement by 2019, increasing to 18% by 2022. In addition, G-SIBs would be expected by 2019 to maintain a TLAC leverage ratio exposure of 6% of the Basel III leverage ratio denominator, increasing to 6.75% by 2022. RBC would become subject to these enhanced requirements if we are designated as a G-SIB by the FSB in the future. To date, neither RBC nor any other Canadian bank has been designated as a G-SIB. It is also uncertain how these standards will be integrated into any bail-in regime that could potentially be introduced in Canada.

On October 30, 2015, the Fed proposed rules establishing TLAC, long-term debt, and "clean holding company" requirements for U.S. G-SIBs and the IHCs of non-U.S. G-SIBs. RBC is not covered at this time by the proposal, but our U.S. IHC would become subject to these U.S. requirements should we be designated as a G-SIB in the future.

Over-the-counter derivatives reform

Reforms to over-the-counter (OTC) derivatives markets continue on a global basis, with the governments of the G20 nations proceeding with plans to transform the capital regimes, national regulatory frameworks and infrastructures in which we and other market participants operate. We, along with other Canadian banks, are experiencing changes in our wholesale banking business, some of which impacts our client- and trading-related derivatives revenue in Capital Markets. Certain of the rules that impact RBC include:

On January 30, 2015 OSFI issued revised Guideline B-7 Derivatives Sound Practices, translating the G20 reforms into its expectations for Federally Regulated Financial Institutions (FRFIs), including Canadian banks.

In March 2015, the BCBS and the International Organization of Securities Commissions (IOSCO) established minimum standards for margin requirements for non-centrally cleared derivatives requiring non-exempt financial entities and systemically important non-financial entities to exchange initial and variation margin on bilateral OTC derivatives. Throughout 2014 and 2015, regulators around the globe proposed domestic rules based on these guidelines. The BCBS/IOSCO framework will be phased-in from September 1, 2016. RBC expects it will be required to comply from this date and will work with national authorities to prepare for compliance.

To avoid the imposition of duplicative prudential and other regulatory requirements and mitigate some of the related compliance and operating costs, the U.S. Commodity Futures Trading Commission (CFTC) has issued guidance that permits RBC and other Canadian banks who registered as swaps dealers in the U.S. to substitute compliance with a limited subset of CFTC swap dealers rules by complying with Canadian rules in several areas. We continue to work with Canadian and U.S. authorities to encourage further reliance on the Canadian framework in this regard. Pending the issuance of expanded CFTC substituted compliance determinations, we, along with other Canadian swap dealers continue to engage with the CFTC to ensure the continued availability of no-action relief in connection with certain U.S. rules that are beyond the scope of the existing substituted compliance determinations and guidance.

In Europe, OTC reforms are being implemented through the European Market Infrastructure Regulation (EMIR) and the review of Markets in Financial Instruments Directive and accompanying Regulation (together, MiFID II/MiFIR). EMIR requires firms to clear certain OTC standardized derivative contracts through central counterparties, establish risk mitigation controls for non-cleared OTC derivatives transactions, and report both cleared and non-cleared contracts to trade repositories. MiFID II/MiFIR is expected to take effect in January 2017 and will introduce an on-venue trading obligation, subject to a determination of sufficient liquidity by the European Securities and Markets Authority (ESMA), for certain OTC derivatives that ESMA has deemed to be subject to the clearing obligation under EMIR.

Consumer protection

On September 19, 2014, the Supreme Court of Canada rendered its judgment in the 2003 Quebec class action lawsuit, *Marcotte v. Bank of Montreal*. The Court found that certain provisions of Quebec's *Consumer Protection Act* apply to credit cards issued by federally-chartered banks. The extent to which provincial/territorial regulation of other banking activities will be upheld is yet to be determined.

Common reporting standard

In April 2013, in an effort to combat international tax evasion, the G20 countries committed to introduce a global standard for the automatic exchange of financial information. In July 2014, the Organisation for Economic Co-operation and Development published the Standard for Automatic Exchange of Financial Account Information in Tax Matters, which consists of a Model Competent Authority Agreement to be used by governments to enter into agreements with jurisdictions with which they will automatically exchange financial account information (Reportable Jurisdictions), and a Common Reporting Standard (CRS) that provides standard procedures to be followed by financial institutions globally to identify reportable accounts. Information related to such accounts will be submitted by financial institutions to their local governments on an annual basis, who will then automatically exchange that information with the appropriate Reportable Jurisdictions.

As of November 1, 2015, over 90 countries have committed to introduce the requirements of CRS into local law, effective in either 2016 or 2017, with the first exchanges of information to begin in the year following implementation. The majority of jurisdictions in which RBC operates have committed to implement CRS, with a notable exception being the U.S.

RBC businesses operating in CRS jurisdictions will be required to make changes to existing business processes in order to comply with CRS due diligence requirements related to the identification and reporting of reportable accounts. In addition to changes to new account opening procedures, a review of pre-existing accounts in accordance with defined procedures will also be required and may require contacting certain pre-existing clients to request additional information and/or documentation. We will also incur additional costs in order to comply with these due diligence requirements.

U.K. and European regulatory reform

Effective March 2016, certain RBC U.K. subsidiaries and branches will become subject to enhanced requirements under the Senior Managers and Certification Regime, including prescribed responsibilities, a statutory duty on senior managers to take reasonable steps to prevent regulatory breaches in their areas of responsibility, and new remuneration rules for senior managers. A certification regime will apply to employees performing 'significant harm' roles. Additionally, new conduct rules will apply to all in-scope employees from March 2017.

In July 2015, a revised Deposit Guarantee Scheme Directive (DGSD) took effect. DGSD strengthens depositor protection across the EU through harmonization of the amount protected (€100,000/GBP 75,000) and related disclosure requirements. In the U.K., further obligations relating to Single Customer View reporting and continuous access to funds will come into effect in late 2016. The requirements impact our deposit-taking businesses in Europe by requiring changes to current reporting and disclosure requirements, as well as revisions to current procedures and processes.

MiFID II/MiFIR will have a significant impact across all RBC businesses operating in the EU given the wide-ranging nature of the reforms, which will introduce changes with respect to pre- and post-trade transparency; market structure; trade and transaction reporting; algorithmic and high frequency trading; and conduct of business. Final technical standards are expected in early 2016. The complexity of MiFID II/MiFIR implementation for RBC businesses operating in the EU will be increased by the need to address obligations arising under other overlapping regulatory initiatives. This will include the reporting obligations to be implemented under the recast Transparency Directive (effective November 2015) and Securities Financing Transaction Regulation (expected to come into force in 2016); the EMIR clearing obligation (to be phased-in over the course of 2016); and the Market Abuse Regulation (effective July 2016), which is intended to increase market integrity and investor protection across the EU.

Competitive risk

The competition for clients among financial services companies in the markets in which we operate is intense. Client loyalty and retention can be influenced by a number of factors, including new technology used or services offered by our competitors, relative service levels, relative prices, product and service attributes, our reputation, actions taken by our competitors, and adherence with competition and anti-trust laws. Other companies, such as insurance companies and non-financial companies, are increasingly offering services traditionally provided by banks. For example, our payments business is facing intense competition from emerging non-traditional competitors. This competition could also reduce net interest income, fee revenue and adversely affect our results.

Systemic risk

Systemic risk is the risk that the financial system as a whole, or a major part of it – either in an individual country, a region, or globally – is put in real and immediate danger of collapse or serious damage with the likelihood of material damage to the real economy, and that this will result in financial, reputation or other risks for RBC.

Systemic risk is considered to be the least controllable risk facing RBC. Our ability to mitigate this risk when undertaking business activities is limited, other than through collaborative mechanisms between key industry participants, and, as appropriate, the public sector, to reduce the frequency and impact of these risks. The two most significant measures in mitigating the impact of systemic risk are diversification and stress testing.

Our diversified business portfolios, products, activities and funding sources help mitigate the potential impacts from systemic risk. We also mitigate systemic risk by establishing risk limits to ensure our portfolio is well diversified, and concentration risk is reduced and remains within our Risk Appetite.

Stress testing involves consideration of the simultaneous movements in a number of risk factors. It is used to ensure our business strategies and capital planning are robust by measuring the potential impacts of credit, market, liquidity and funding and operational risks on us, under adverse economic conditions. Our enterprise-wide stress testing program uses stress scenarios featuring a range of severities based on plausible adverse economic and financial market events. These stress scenarios are evaluated across the organization, and results are integrated to develop an enterprise-wide view of the impacts on our financial results and capital requirements. For further details on our stress testing, refer to the Risk management – Enterprise risk management section.

Overview of other risks

In addition to the risks described in the Risk management section, there are other risk factors, described below, which may adversely affect our businesses and financial results. The following discussion is not exhaustive as other factors could also adversely affect our results.

Business and economic conditions

Our earnings are significantly affected by the general business and economic conditions in the geographic regions in which we operate. These conditions include consumer saving and spending habits as well as consumer borrowing and repayment patterns, business investment, government spending, exchange rates, sovereign debt risks, the level of activity and volatility of the capital markets, strength of the economy and inflation. For example, an extended economic downturn may result in high unemployment and lower family income, corporate earnings, business investment and consumer spending, and could adversely affect the demand for our loan and other products and result in higher provisions for credit losses. Given the importance of our Canadian operations, an economic downturn in Canada or in the U.S. impacting Canada would largely affect our personal and business lending activities in our Canadian banking businesses, including cards, and could significantly impact our results of operations.

Our earnings are also sensitive to changes in interest rates. A continuing low interest rate environment in Canada, the U.S. and globally would result in net interest income being unfavourably impacted by spread compression largely in Personal & Commercial Banking and Wealth Management. While an increase in interest rates would benefit our businesses that are currently impacted by spread compression, a significant increase in interest rates could also adversely impact household balance sheets. This could result in credit deterioration which might negatively impact our financial results, particularly in some of our personal and commercial banking and Wealth Management businesses.

Capital Markets and Investor & Treasury Services would be negatively impacted if global capital markets deteriorate resulting in lower average fee-based client assets and transaction volumes and trading volatility. In Wealth Management, weaker market conditions would lead to lower average fee-based client assets and transaction volumes. Worsening of financial and credit market conditions may adversely affect our

ability to access capital markets on favourable terms and could negatively affect our liquidity, resulting in increased funding costs and lower transaction volumes in Capital Markets and Investor & Treasury Services. For further details on economic and market factors which may impact our financial performance, refer to the Wealth Management, Investor & Treasury Services and Capital Markets sections.

Government fiscal, monetary and other policies

Our businesses and earnings are affected by the fiscal, monetary or other policies that are adopted by the Bank of Canada and various other Canadian regulatory authorities, the Board of Governors of the Federal Reserve System in the U.S. and other U.S. government authorities, as well as those adopted by international regulatory authorities and agencies in jurisdictions in which we operate. Such policies can also adversely affect our clients and counterparties in Canada, the U.S. and internationally, which may increase the risk of default by such clients and counterparties.

Tax risk and transparency

Tax risk refers to the risk of loss related to unexpected tax liabilities. The tax laws and systems that are applicable to RBC are complex and wide ranging. As a result, we ensure that any decisions or actions related to tax always reflect our assessment of the long-term costs and risks involved, including their impact on our relationship with clients, shareholders, and regulators, and our reputation.

Our approach to tax is governed by our Taxation Policy and Risk Management Framework, and reflects the fundamentals of our Risk Pyramid. Oversight of our tax policy and the management of tax risk is the responsibility of the CAO & CFO and the Senior Vice President, Taxation. We report our tax position to the Audit Committee on a regular basis and discuss our tax strategy with the Audit and Risk Committees as well as with GE.

Our tax strategy is designed to ensure transparency and support our business strategy, and is aligned with our corporate vision and values. We seek to maximize shareholder value by ensuring that our businesses are structured in a tax-efficient manner while considering reputational risk by being in compliance with all laws and regulations. Our framework seeks to ensure that we:

- Act with integrity and in a straightforward, open and honest manner in all tax matters;
- Ensure tax strategy is aligned with our business strategy supporting only bona fide transactions with a business purpose and economic substance;
- Ensure our full compliance and full disclosure to tax authorities of our statutory obligations; and
- Endeavour to work with the tax authorities to build positive long-term relationships and where disputes occur, address them constructively.

With respect to assessing the needs of our clients, we consider a number of factors including the purposes of the transaction. We seek to ensure that we only support bona fide client transactions with a business purpose and economic substance. Should we become aware of client transactions that are aimed at evading their tax obligations, we will not proceed with the transaction.

RBC operates in 39 countries worldwide. Our activities in these countries are subject to both Canadian and international tax legislation and other regulation, and are fully disclosed to the relevant tax authorities. The Taxation group and GRM both regularly review the activities of all entities to ensure compliance with tax requirements and other regulations.

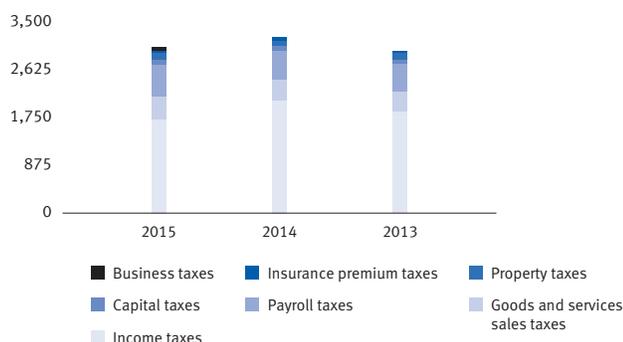
Given that we operate globally, complex tax legislation and accounting principles can result in differing legal interpretations between the respective tax authorities we deal with and ourselves, and we are at risk of tax authorities disagreeing with prior positions we have taken for tax purposes. Should this occur, we are committed to an open and transparent dialogue with the tax authorities to ensure a quick assessment and prompt resolution of the issues. Failure to adequately manage tax risk and resolve issues with tax authorities in a satisfactory manner could adversely impact our results, potentially to a material extent in a particular period, and/or significantly impact our reputation.

Tax Contribution

In 2015, total income and other tax expense to various levels of governments globally totalled \$3.1 billion (2014 – \$3.2 billion; 2013 – \$3 billion). In Canada, total income and other tax expense for the year ended October 31, 2015 to various levels of government totalled \$1.9 billion (2014 – \$2.2 billion; 2013 – \$2.6 billion).

Income and other tax expense – by category

(Millions of Canadian dollars)



Income and other tax expense – by geography

(Millions of Canadian dollars)



For further details on income and other tax expense, refer to the Financial performance section.

Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from the business activities and operations of both us and our clients. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit, regulatory and reputation risk. Operational and legal risks may arise from environmental issues at our branches, offices or data processing centres.

Corporate Sustainability (CS) sets enterprise-wide policy requirements for the identification, assessment, control, monitoring and reporting of environmental risk. Oversight is provided by GE and the Governance Committee of the Board of Directors. Business segments and corporate functions are responsible for incorporating environmental risk management requirements and controls within their operations. The CS Group also provides advisory services and support to business segments on the management of specific environmental risks in business transactions.

Periodically, we verify that our environmental risk management policies and processes are operating as intended. On an annual basis, and more frequently as required, environmental risk management activities, issues and trends are reported to GE and to the Governance Committee of the Board of Directors. Failure to adequately manage environmental risk could adversely impact our results and/or significantly impact our reputation.

We report on the full extent of environmental management annually in the Corporate Responsibility Report and Public Accountability Statements.

Other factors

Other factors that may affect actual results include changes in government trade policy, changes in accounting standards, including their effect on our accounting policies, estimates and judgments, currency and interest rate movements in Canada, the U.S., and other jurisdictions in which we operate, changes to our credit ratings, the timely and successful development of new products and services, our ability to cross-sell more products to customers, technological changes, effective design, implementation and execution of processes and their associated controls, fraud by internal and external parties, the possible impact on our business from disease or illness that affects local, national or global economies, disruptions to public infrastructure, including transportation, communication, power and water, international conflicts and other political developments including those relating to the war on terrorism, and our success in anticipating and managing the associated risks.

We caution that the foregoing discussion of risk factors, many of which are beyond our control, is not exhaustive and other factors could also affect our results.

Capital management

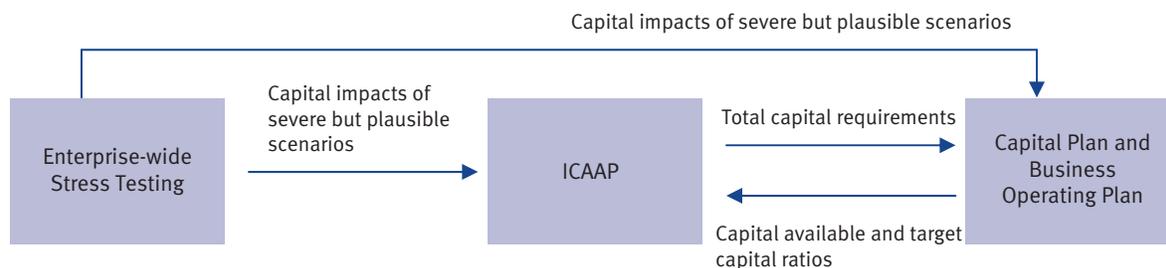
We actively manage our capital to maintain strong capital ratios and high ratings while providing strong returns to our shareholders. In addition to the regulatory requirements, we consider the expectations of credit rating agencies, depositors and shareholders, as well as our business plans, stress tests, peer comparisons and our internal capital ratio targets. Our goal is to optimize our capital usage and structure, and provide support for our business segments and clients and better returns for our shareholders, while protecting depositors and senior creditors.

Capital management framework

Our capital management framework provides the policies and processes for defining, measuring, raising and investing all types of capital in a co-ordinated and consistent manner. It includes our overall approach to capital management, including guiding principles as well as roles and responsibilities relating to capital adequacy and transactions, dividends, solo capital and management of risk-weighted assets (RWA) and leverage ratio exposures. We manage and monitor capital from several perspectives, including regulatory capital, economic capital and subsidiary capital.

Our capital planning is a dynamic process which involves various teams including Finance, Corporate Treasury, GRM, Economics and our businesses, and covers internal capital ratio targets, potential capital transactions as well as projected dividend payouts and share repurchases. The integral parts of our capital planning are comprised of our business operating plans, enterprise-wide stress testing and Internal Capital Adequacy Assessment Process (ICAAP), along with the considerations of regulatory capital requirements and accounting changes, internal capital requirements, rating agency metrics and solo capital.

Our capital plan is established on an annual basis and is aligned with the management actions included in the annual business operating plan, which includes forecast growth in assets and earnings taking into account our business strategies, projected market and economic environment and peer positioning. This includes incorporating potential capital transactions based on our projected internal capital generation, business forecasts, market conditions and other developments, such as accounting and regulatory changes that may impact capital requirements. All of the components in the capital plan are monitored throughout the year and are revised as deemed appropriate.



Our Enterprise-wide stress testing and ICAAP provide key inputs for capital planning, including setting the appropriate internal capital ratio targets. The stress scenarios are evaluated across the organization, and results are integrated to develop an enterprise-wide view of financial impacts and capital requirements, which in turn facilitate the planning of mitigating actions to absorb exceptional adverse events. ICAAP is an OSFI mandated annual process to assess capital adequacy and requirements to cover all material risks, with a cushion to cover severe but plausible contingencies. In accordance with the OSFI guideline, the major components of our ICAAP process include comprehensive risk assessment, stress testing, capital assessment and planning (both economic and regulatory capital), board and senior management oversight, monitoring and reporting and internal control review.

Our internal capital targets are established to maintain robust capital positions in excess of OSFI's Basel III "all-in" regulatory targets, which include minimum capital requirements plus a capital conservation buffer, and effective January 1, 2016, a D-SIBs surcharge that can absorb losses during periods of stress. The "all-in" methodology includes all regulatory adjustments that will be required by 2019, while retaining the phase-out rules for non-qualifying capital instruments, as per OSFI's Basel III Capital Adequacy Requirements (CAR) guideline. The stress test

results of our Enterprise-wide stress testing and ICAAP are incorporated into the OSFI capital conservation buffer and D-SIBs surcharge, with a view to ensuring the bank has adequate capital to underpin risks and absorb losses under all plausible stress scenarios given our risk profile and appetite. In addition, we include a discretionary cushion on top of the OSFI regulatory targets to maintain capital strength for forthcoming regulatory and accounting changes, peer comparatives, rating agencies sensitivities and solo capital level.

The Board of Directors is responsible for ultimate oversight of capital management, including the annual review and approval of the Capital Plan. ALCO and GE share responsibility for capital management and receive regular reports detailing our compliance with established limits and guidelines. The Risk Committee annually approves the Capital Management Framework. The Audit and Risk Committees jointly approve the ICAAP process. The Audit Committee is also responsible for the ongoing review of internal controls over capital management.

Basel III

Our regulatory capital requirements are determined on a Basel III “all-in” basis as per OSFI guidelines. The top corporate entity to which Basel III applies at the consolidated level is Royal Bank of Canada.

Under Basel III, banks select from among alternative approaches to calculate their minimum regulatory capital required to underpin credit, market and operational risks.

We adopted the Basel III IRB approach to calculate credit risk capital for consolidated regulatory reporting purposes. While the majority of our credit risk exposures are reported under the Basel III IRB approach for regulatory capital purposes, certain portfolios considered non-material from a consolidated perspective continue to use the Basel III Standardized approach for credit risk (for example, our Caribbean banking operations). For consolidated regulatory reporting of operational risk capital, we currently use the Standardized approach. We have applied to OSFI for approval for the use of AMA for operational risk capital measurement and will commence reflecting operational risk capital under the AMA approach once approved. For consolidated regulatory reporting of market risk capital, we use both Internal Models-based and Standardized approaches.

In December 2010, the BCBS issued “Basel III: A global regulatory framework for more resilient banks and banking systems”, which outlines the capital and liquidity requirements for global banks, with the objective of promoting financial stability and is intended to ensure sustainable economic growth. The BCBS sets out the Basel III transitional requirements for Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios at 4.5%, 6.0% and 8%, respectively for 2015, which will be fully phased-in to 7%, 8.0% and 10.5%, respectively (including minimums plus capital conservation buffer of 2.5%) by January 1, 2019. The BCBS also released the NVCC requirements in January 2011 with an effort to ensure the loss absorbency of regulatory capital instruments at the point of non-viability. In August 2011, OSFI issued an advisory outlining the NVCC principles and requirements, including a full and permanent conversion of non-common capital instruments into common shares upon a trigger event, effective the first quarter of 2013.

OSFI expects Canadian banks to currently meet the Basel III “all-in” targets (BCBS January 1, 2019 requirements – minimum ratios plus the capital conservation buffer) for CET1 ratio, Tier 1 and Total capital. To ensure consistent implementation similar to that in other countries, effective January 1, 2014, OSFI allowed Canadian banks to phase in the Basel III CVA capital charge over a five-year period ending December 31, 2018. In accordance with OSFI guidance, there are two possible options to phase in the CVA capital charge. Under the option selected by RBC in 2015, Option 1, Basel III CVA is reflected in risk-weighted assets based on a scalar of 64%, 71%, and 77% for CET1, Tier 1 and Total Capital, respectively. In 2016, the scalars will remain unchanged, and will reach 100% for each tier of capital by 2019.

Commencing January 1, 2016, RBC will be required to include an additional 1% risk-weighted capital surcharge given our designation as a D-SIB by OSFI in 2013 (along with five other Canadian banks).

In October 2014, OSFI issued its final “Leverage Requirements (LR) Guideline”, which replaced the OSFI Assets-to-Capital Multiple (ACM) with the Basel III Leverage ratio, beginning in the first quarter of 2015. The leverage ratio is defined as Tier 1 capital divided by leverage ratio exposure. The leverage ratio exposure is the sum of (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction exposures and (d) off-balance sheet items. Canadian banks are expected to maintain a leverage ratio that meets or exceeds 3% at all times.

Pursuant to the BCBS publication “Global systemically important banks (G-SIB): updated assessment methodology and the higher loss absorbency requirement”, issued in July 2013 and the OSFI advisory “Global systemically important banks (G-SIBs) – Public disclosure requirements”, published in March 2014 and revised in September 2015, all federally regulated banks with a Basel III leverage ratio total exposure exceeding €200 billion at their financial year-end are required, at a minimum, to publicly disclose in the first quarter following their year-end, the twelve indicators used in the G-SIB assessment methodology, with the goal of enhancing the transparency of the relative scale of banks’ potential global systemic importance and data quality. In the first quarter of 2015, we were not designated as a G-SIB. However, as we met the BCBS size threshold, we disclosed the 12 indicators using the OSFI prescribed template for the financial years ended 2013 and 2014 in our first quarter of 2015 report to shareholders.

In November 2015, the FSB and BCBS published an updated list of G-SIBs. We were not designated as a G-SIB as of November 2015.

In December 2013, BCBS issued the final standard related to the capital requirements for banks’ equity investment in funds, with an effective date of January 2017, which aims to provide three approaches to measuring the risk sensitivity of banking book investments in funds. In December 2014, BCBS issued the final standards on the revised securitization framework, which aims to strengthen the capital standards for securitization exposures held in the banking book, with an effective date of January 2018. We are reviewing these two standards and have commenced work to ensure implementation of these standards by the respective effective dates.

In January 2015, BCBS issued the final standard on Pillar 3 which requires disclosure of standard templates to provide comparability and consistency of capital disclosure amongst banks. BCBS requires all banks to provide the revised Pillar 3 disclosures by the end of fiscal 2016. The implementation date for Pillar III for Canadian banks is expected to be no earlier than the fourth quarter of 2017.

The BCBS also issued two consultative papers in December 2014 “Capital floor: the design of a framework based on Standardized approaches” and “Revisions to the Standardized approach for credit risk”. The capital floor consultative document focuses on the design of a capital floor framework based on the Standardized approach, with the objective to mitigate model risk and measurement error stemming from internal models and enhance comparability of capital across banks. This framework will replace the current transitional floor, which is based on the Basel I standard. The revisions to the Standardized approach for credit risk document is designed to strengthen the existing regulatory capital framework, with the objective of reducing reliance on external credit ratings, increasing risk sensitivity, and increasing comparability of capital requirements to the IRB approach. These revisions are expected to increase the comparability of capital requirements between banks using the Standardized approach.

We will continue to monitor and assess the capital impact of these regulatory developments.

The following table provides a summary of OSFI regulatory target ratios under Basel III.

OSFI regulatory target ratios under Basel III						Table 70	
Basel III Capital ratios and leverage	OSFI regulatory target requirements for large banks under Basel III					RBC capital and leverage ratios as at October 31, 2015	Meet or exceed OSFI regulatory target ratios
	Minimum	Capital Conservation Buffer	Minimum including Capital Conservation Buffer	D-SIBs Surcharge ⁽¹⁾	Minimum including Capital Conservation Buffer and D-SIBs surcharge ⁽¹⁾		
Common Equity Tier 1	> 4.5%	2.5%	> 7.0%	1.0%	> 8.0%	10.6%	✓
Tier 1 capital	> 6.0%	2.5%	> 8.5%	1.0%	> 9.5%	12.2%	✓
Total capital	> 8.0%	2.5%	> 10.5%	1.0%	> 11.5%	14.0%	✓
Leverage ratio	> 3.0%	n.a.	> 3.0%	n.a.	> 3.0%	4.3%	✓

(1) The D-SIBs surcharge will be applicable to risk-weighted capital commencing January 1, 2016.

Regulatory capital, RWA and capital ratios

The following table provides details on our regulatory capital, RWA and capital ratios. Our capital position remained strong during the year and our capital ratios remain well above OSFI regulatory targets.

Regulatory capital, RWA and capital ratios		Table 71	
		As at	
		October 31 2015	October 31 2014
(Millions of Canadian dollars, except percentage and multiple amounts and as otherwise noted)			
Capital ⁽¹⁾			
CET1 capital		\$ 43,715	\$ 36,406
Tier 1 capital		50,541	42,202
Total capital		58,004	50,020
RWA used in calculation of capital ratios ^{(1), (2)}			
CET1 capital RWA		411,756	368,594
Tier 1 capital RWA		412,941	369,976
Total capital RWA		413,957	372,050
Total capital RWA consisting of: ⁽¹⁾			
Credit risk		\$ 323,870	\$ 286,327
Market risk		39,786	38,460
Operational risk		50,301	47,263
Total capital RWA		\$ 413,957	\$ 372,050
Capital ratios, Leverage ratio and multiples ^{(1), (3)}			
CET1 ratio		10.6%	9.9%
Tier 1 capital ratio		12.2%	11.4%
Total capital ratio		14.0%	13.4%
Assets-to-capital multiple ⁽⁴⁾		n.a.	17.0X
Gross-adjusted assets (GAA) ⁽⁴⁾ (billions)		n.a.	\$ 885.0
Leverage ratio		4.3%	n.a.
Leverage ratio exposure (billions)		\$ 1,170.2	n.a.

(1) Capital, RWA, capital ratios and multiples are calculated using OSFI Capital Adequacy Requirements based on the Basel III framework. Leverage ratios are calculated using OSFI Leverage Requirements Guideline based on the Basel III framework. Effective the first quarter of 2015, the leverage ratio has replaced the ACM. The leverage ratio is a regulatory measure under the Basel III framework and is not applicable (n.a.) for periods prior to Q1 2015. Capital ratios presented above are on an "all-in" basis.

(2) Effective Q3 2014, different scalars were applied to the CVA included in each of the three tiers of capital. In 2014, the CVA scalars 57%, 65% and 77% were applied to CET 1, Tier 1 and Total Capital, respectively. In fiscal 2015, the CVA scalars were 64%, 71% and 77%, respectively. In fiscal 2016, the scalars will remain unchanged.

(3) To enhance comparability among other global financial institutions, our transitional CET1, Tier 1, Total capital and leverage ratios as at October 31, 2015 were 12.0%, 12.2%, 13.9% and 4.5%, respectively. Transitional is defined as capital calculated according to the current year's phase-in of regulatory adjustments and phase-out of non-qualifying capital instruments.

(4) Assets-to-capital multiples and GAA were calculated on a transitional basis in the prior period.

Basel III regulatory capital and capital ratios

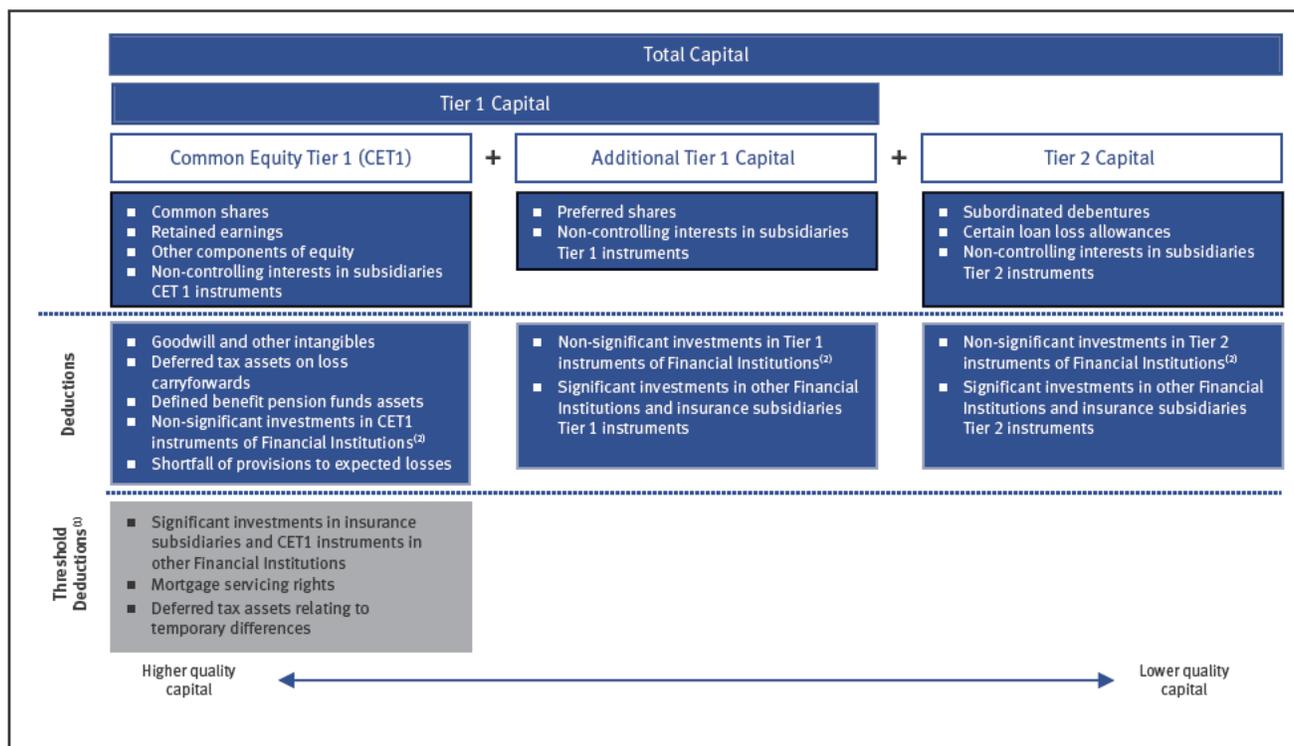
Under Basel III, regulatory capital consists of CET1, Additional Tier 1 and Tier 2 capital.

CET1 capital comprises the highest quality of capital. Regulatory adjustments under Basel III include full deductions of certain items and additional capital components that are subject to threshold deductions.

Tier 1 capital comprises predominantly CET1 and Additional Tier 1 items including non-cumulative preferred shares. Tier 2 capital includes subordinated debentures that meet certain criteria, certain loan loss allowances and non-controlling interests in subsidiaries Tier 2 instruments. Total capital is defined as the sum of Tier 1 and Tier 2 capital. Preferred shares and subordinated debentures issued after January 1, 2013 require NVCC features to be included into regulatory capital. For further details on NVCC, refer to the discussion above.

Regulatory capital ratios are calculated by dividing CET1, Tier 1 and Total capital by their respective RWA.

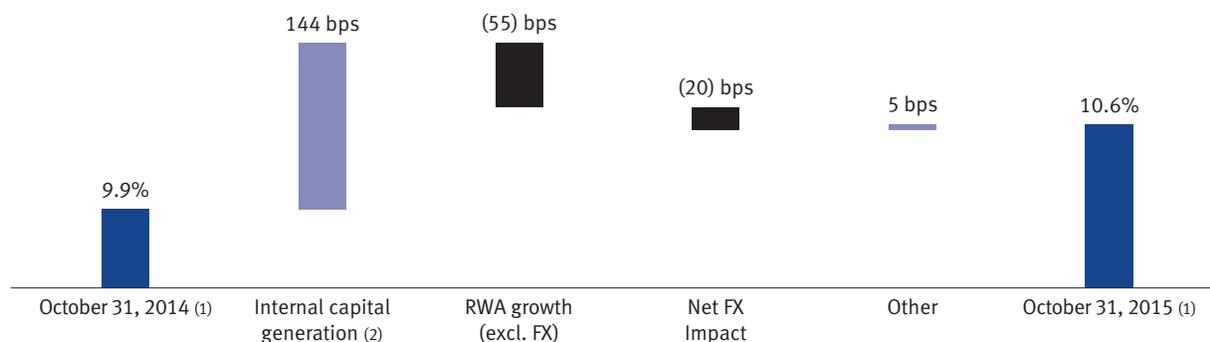
The following chart provides a summary of the major components of CET1, Additional Tier 1 and Tier 2 capital.



- (1) First level: The amount by which each of the items exceeds a 10% threshold of CET1 capital (after all deductions but before threshold deductions) will be deducted from CET1 capital. Second level: The aggregate amount of the three items not deducted from the first level above and in excess of 15% of CET1 capital after regulatory adjustments will be deducted from capital, and the remaining balance not deducted will be risk-weighted at 250%.
- (2) Non-significant investments are subject to certain CAR criteria that drive the amount eligible for deduction.

Regulatory Capital		Table 72	
		All-in basis	
(Millions of Canadian dollars)		2015	2014
CET1 capital: instruments and reserves and regulatory adjustments			
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus		\$ 14,739	\$ 14,684
Retained earnings		37,645	31,442
Accumulated other comprehensive income (and other reserves)		4,626	2,418
Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		-	-
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		13	12
Regulatory adjustments applied to CET1 under Basel III		(13,308)	(12,150)
Common Equity Tier 1 capital (CET1)		\$ 43,715	\$ 36,406
Additional Tier 1 capital: instruments and regulatory adjustments			
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		2,350	1,000
Directly issued capital instruments to phase out from Additional Tier 1		4,473	4,794
Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group AT1)		3	2
Regulatory adjustments applied to Additional Tier 1 under Basel III		-	-
Additional Tier 1 capital (AT1)		6,826	5,796
Tier 1 capital (T1=CET1+AT1)		\$ 50,541	\$ 42,202
Tier 2 capital: instruments and provisions and regulatory adjustments			
Directly issued qualifying Tier 2 instruments plus related stock surplus		3,073	2,010
Directly issued capital instruments subject to phase out from Tier 2		4,227	5,595
Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		29	31
Collective allowance		134	182
Regulatory adjustments applied to Tier 2 under Basel III		-	-
Tier 2 capital (T2)		\$ 7,463	\$ 7,818
Total capital (TC=T1+T2)		\$ 58,004	\$ 50,020

Continuity of CET1 ratio (Basel III)



(1) Represents rounded figures.

(2) Internal capital generation includes \$5.3 billion which represents Net income available to shareholders less common and preferred shares dividends.

Our CET1 ratio was 10.6%, up 70 bps from last year, mainly due to strong internal capital generation. This factor was partially offset by higher RWA reflecting business growth, and the net impact of foreign exchange translation.

Our Tier 1 capital ratio of 12.2% was up 80 bps, mainly due to the factors noted under CET1 ratio, and the net issuance of preferred shares.

Our Total capital ratio of 14.0% was up 60 bps, mainly due to the factors noted under Tier 1 capital ratio, partially offset by the net redemption of subordinated debentures.

Basel III RWA

OSFI requires banks to meet minimum risk-based capital requirements for exposures to credit risk, operational risk, and, where they have significant trading activity, market risk. RWA is calculated for each of these risk types and added together to determine total RWA. In addition, OSFI requires the minimum risk-based capital to be no less than 90% of the capital requirements as calculated under the Basel I standards. If the capital requirement is less than 90%, a transitional adjustment to RWA must be applied as prescribed by OSFI CAR guidelines.

Total capital risk-weighted assets

Table 73

As at October 31 (Millions of Canadian dollars, except percentage amounts)	2015						2014
	Exposure (1)	Average of risk weights (2)	Risk-weighted assets				Total
			Standardized approach	Advanced approach	Other	Total	
Credit risk							
Lending-related and other							
Residential mortgages	\$ 207,393	6%	\$ 1,344	\$ 11,453	\$ –	\$ 12,797	\$ 10,573
Other retail	226,661	23%	4,771	46,386	–	51,157	48,976
Business	282,261	54%	15,064	136,501	–	151,565	126,948
Sovereign	75,636	12%	2,370	6,805	–	9,175	7,683
Bank	97,961	8%	578	7,117	–	7,695	7,079
Total lending-related and other	\$ 889,912	26%	\$ 24,127	\$ 208,262	\$ –	\$ 232,389	\$ 201,259
Trading-related							
Repo-style transactions	\$ 340,131	2%	\$ 15	\$ 6,637	\$ 28	\$ 6,680	\$ 4,912
Derivatives – including CVA – CET1 phase-in adjustment	90,782	32%	1,300	16,581	11,451	29,332	26,875
Total trading-related	\$ 430,913	8%	\$ 1,315	\$ 23,218	\$ 11,479	\$ 36,012	\$ 31,787
Total lending-related and other and trading-related	\$ 1,320,825	20%	\$ 25,442	\$ 231,480	\$ 11,479	\$ 268,401	\$ 233,046
Bank book equities	2,057	99%	–	2,045	–	2,045	2,025
Securitization exposures	55,932	13%	310	7,053	–	7,363	5,830
Regulatory scaling factor	n.a.	n.a.	n.a.	14,400	–	14,400	11,938
Other assets	45,818	64%	n.a.	n.a.	29,460	29,460	30,032
Total credit risk	\$ 1,424,632	23%	\$ 25,752	\$ 254,978	\$ 40,939	\$ 321,669	\$ 282,871
Market risk							
Interest rate			\$ 1,339	\$ 6,835	\$ –	\$ 8,174	\$ 6,326
Equity			1,616	2,115	–	3,731	1,621
Foreign exchange			927	61	–	988	1,274
Commodities			943	13	–	956	2,030
Specific risk			8,716	3,084	–	11,800	14,980
Incremental risk charge			–	14,137	–	14,137	12,229
Total market risk			\$ 13,541	\$ 26,245	\$ –	\$ 39,786	\$ 38,460
Operational risk			\$ 50,301	n.a.	n.a.	\$ 50,301	\$ 47,263
CET1 capital risk-weighted assets (3)			\$ 89,594	\$ 281,223	\$ 40,939	\$ 411,756	\$ 368,594
Additional CVA adjustment, prescribed by OSFI, for Tier 1 capital			–	–	1,185	1,185	1,382
Tier 1 capital risk-weighted assets (3)			\$ 89,594	\$ 281,223	\$ 42,124	\$ 412,941	\$ 369,976
Additional CVA adjustment, prescribed by OSFI, for Total capital			–	–	1,016	1,016	2,074
Total capital risk-weighted assets (3)	\$ 1,424,632		\$ 89,594	\$ 281,223	\$ 43,140	\$ 413,957	\$ 372,050

(1) Total exposure represents exposure at default which is the expected gross exposure upon the default of an obligor. This amount is before any allowance against impaired loans or partial write-offs and does not reflect the impact of credit risk mitigation and collateral held.

(2) Represents the average of counterparty risk weights within a particular category.

(3) Effective Q3 2014, different scalars were applied to the CVA included in each of the three tiers of capital. In Q3 and Q4, 2014, the CVA scalars 57%, 65% and 77% were applied to CET 1, Tier 1 and Total Capital, respectively. In fiscal 2015, the CVA scalars were 64%, 71% and 77%, respectively. In 2016, the scalars will remain unchanged.

2015 vs. 2014

During the year, CET1 RWA was up \$43 billion, mainly reflecting the impact of foreign exchange translation and business growth largely in our wholesale lending portfolio and repo-style transactions.

Selected capital management activity

The following table provides our selected capital management activity for the year ended October 31, 2015.

Selected capital management activity		Table 74	
(Millions of Canadian dollars, except number of shares)	2015		
	Issuance or redemption date	Number of shares (000s)	Amount
Tier 1 capital			
Common shares issued			
Stock options exercised (1)		1,190	\$ 62
Issuance of preferred shares Series BD (2), (3), (4)	January 30, 2015	24,000	600
Issuance of preferred shares Series BF (2), (3), (4)	March 13, 2015	12,000	300
Issuance of preferred shares Series BH (2), (3), (4)	June 5, 2015	6,000	150
Issuance of preferred shares Series BI (2), (3), (4)	July 22, 2015	6,000	150
Issuance of preferred shares Series BJ (2), (3), (4)	October 2, 2015	6,000	150
Redemption of preferred shares Series AX	November 24, 2014	(13,000)	(325)
Tier 2 capital			
Issuance of June 4, 2025 subordinated debentures (2), (4)	June 4, 2015		1,000
Maturity of November 14, 2014 subordinated debentures (2)	November 14, 2014		(200)
Redemption of June 15, 2020 subordinated debentures (2)	June 15, 2015		(1,500)

(1) Amounts include cash received for stock options exercised during the period and the fair value adjustments to stock options.

(2) For further details, refer to Notes 19 and 21 of our audited 2015 Annual Consolidated Financial Statements.

(3) Based on gross amount.

(4) NVCC capital instruments.

Dividends

Our common share dividend policy reflects our earnings outlook, payout ratio objective and the need to maintain adequate levels of capital to fund business opportunities. In 2015, our dividend payout ratio was 46%, which met our dividend payout ratio target of 40% to 50%. Common share dividends paid during the year were \$4.4 billion.

Selected share data ⁽¹⁾

Table 75

(Millions of Canadian dollars, except number of and per share amounts)	2015			2014			2013		
	Number of shares (000s)	Amount	Dividends declared per share	Number of shares (000s)	Amount	Dividends declared per share	Number of shares (000s)	Amount	Dividends declared per share
Common shares outstanding	1,443,423	\$14,573	\$ 3.08	1,442,233	\$14,511	\$ 2.84	1,441,056	\$14,377	\$ 2.53
First preferred shares outstanding									
Non-cumulative Series W ⁽²⁾	12,000	300	1.23	12,000	300	1.23	12,000	300	1.23
Non-cumulative Series AA	12,000	300	1.11	12,000	300	1.11	12,000	300	1.11
Non-cumulative Series AB	12,000	300	1.18	12,000	300	1.18	12,000	300	1.18
Non-cumulative Series AC	8,000	200	1.15	8,000	200	1.15	8,000	200	1.15
Non-cumulative Series AD	10,000	250	1.13	10,000	250	1.13	10,000	250	1.13
Non-cumulative Series AE	10,000	250	1.13	10,000	250	1.13	10,000	250	1.13
Non-cumulative Series AF	8,000	200	1.11	8,000	200	1.11	8,000	200	1.11
Non-cumulative Series AG	10,000	250	1.13	10,000	250	1.13	10,000	250	1.13
Non-cumulative Series AH	–	–	–	–	–	–	–	–	0.86
Non-cumulative Series AJ ⁽³⁾	13,579	339	0.88	13,579	339	0.97	16,000	400	1.25
Non-cumulative Series AK ⁽³⁾	2,421	61	0.67	2,421	61	0.53	–	–	–
Non-cumulative Series AL ⁽³⁾	12,000	300	1.07	12,000	300	1.15	12,000	300	1.40
Non-cumulative Series AN ⁽³⁾	–	–	–	–	–	0.39	9,000	225	1.56
Non-cumulative Series AP ⁽³⁾	–	–	–	–	–	0.39	11,000	275	1.56
Non-cumulative Series AR ⁽³⁾	–	–	–	–	–	0.39	14,000	350	1.56
Non-cumulative Series AT ⁽³⁾	–	–	–	–	–	1.17	11,000	275	1.56
Non-cumulative Series AV ⁽³⁾	–	–	–	–	–	1.17	16,000	400	1.56
Non-cumulative Series AX ⁽³⁾	–	–	–	13,000	325	1.53	13,000	325	1.53
Non-cumulative Series AZ ^{(3), (4)}	20,000	500	1.00	20,000	500	0.50	–	–	–
Non-cumulative Series BB ^{(3), (4)}	20,000	500	0.98	20,000	500	0.46	–	–	–
Non-cumulative Series BD ^{(3), (4)}	24,000	600	0.73	–	–	–	–	–	–
Non-cumulative Series BF ^{(3), (4)}	12,000	300	0.63	–	–	–	–	–	–
Non-cumulative Series BH ⁽⁴⁾	6,000	150	0.58	–	–	–	–	–	–
Non-cumulative Series BI ⁽⁴⁾	6,000	150	0.42	–	–	–	–	–	–
Non-cumulative Series BJ ⁽⁴⁾	6,000	150	–	–	–	–	–	–	–
Treasury shares held – preferred	(63)	(2)	–	1	–	–	47	1	–
Treasury shares held – common	532	38	–	892	71	–	666	41	–
Stock options									
Outstanding	8,182	–	–	8,579	–	–	10,604	–	–
Exercisable	5,231	–	–	4,987	–	–	5,711	–	–
Dividends									
Common	–	4,443	–	–	4,097	–	–	3,651	–
Preferred	–	191	–	–	213	–	–	253	–

(1) For further details about our capital management activity, refer to Note 21 of our audited 2015 Annual Consolidated Financial Statements.

(2) Effective February 24, 2010, we have the right to convert into common shares at our option, subject to certain restrictions.

(3) Dividend rate will reset every five years.

(4) NVCC capital instruments.

Our normal course issuer bid (NCIB) commenced on November 1, 2014 and expired on October 31, 2015. Over the term of the previous bid, we did not purchase any common shares.

On November 2, 2015, we completed the acquisition of City National, whereby we issued 41.6 million RBC common shares. In addition, we issued RBC first preferred shares (Series C-1 and Series C-2) with a par value of US\$275 million upon the cancellation of all outstanding City National preferred stock.

On November 2, 2015, we redeemed all \$1.5 billion outstanding 3.18% subordinated debentures due on November 2, 2015 for 100% of their principal amount plus accrued interest to the redemption date.

On November 16, 2015, we announced our intention to redeem all issued and outstanding \$1.2 billion principal amount of RBC TruCS 2015 for cash at a redemption price of \$1,000 per unit. The redemption is expected to be completed on December 31, 2015.

As at November 27, 2015, the number of outstanding common shares and stock options and awards was 1,485,401,829 and 14,675,359, respectively, and the number of Treasury shares – preferred and Treasury shares – common was (9,137) and 291,505, respectively.

NVCC provisions require the conversion of our capital instruments into a variable number of common shares in the event that OSFI deems the Bank to be non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. If a NVCC trigger event were to occur, our NVCC capital instruments preferred shares Series AZ, preferred shares Series BB, preferred shares Series BD, preferred shares Series BF, preferred shares Series BH, preferred shares Series BI, preferred shares Series BJ, subordinated debentures due on July 17, 2024, subordinated debentures due on September 29, 2026 and subordinated debentures due on June 4, 2025 would be converted into RBC common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a floor price of \$5.00, and (ii) the current market price of our common shares at the time of the trigger event (10-day weighted average). Based on a floor price of \$5.00 and including an estimate for accrued dividends and interest, these NVCC capital instruments would convert into a maximum of 1,388 million RBC common shares, in aggregate, which would represent a dilution impact of 49% based on the number of RBC common shares outstanding as at October 31, 2015.

Attributed capital

Our methodology for allocating capital to our business segments is based on the higher of fully diversified economic capital and the Basel III regulatory capital requirements. Risk-based capital attribution provides a uniform base for performance measurement among business segments, which compares to our overall corporate return objective and facilitates management decisions in resource allocation in conjunction with other factors.

Attributed capital is calculated and attributed on a wider-array of risks compared to Basel III regulatory capital requirements, which are calibrated predominantly to target credit, market (trading) and operational risk measures. Economic capital is our internal quantification of risks associated with business activities which is the capital required to remain solvent under extreme market conditions, reflecting our objective to maintain strong credit ratings. Economic capital is calculated based on credit, market (trading and non-trading), operational, business and fixed asset, and insurance risks, along with capital attribution for goodwill and other intangibles. The common risks between the two frameworks are aligned to reflect increased regulatory requirements.

- Business risk is the risk of loss or harm due to variances in volumes, prices and costs caused by competitive forces, regulatory changes, reputation and strategic risks.
- Fixed asset risk is defined as the risk that the value of fixed assets will be less than their book value at a future date.

For further discussion on Credit, Market, Operational and Insurance risks, refer to the Risk management section.

Attributed capital is also used to assess the adequacy of our capital base. Our policy is to maintain a level of available capital, defined as common equity and other capital instruments with equity-like loss absorption features such as preferred shares that exceed Economic capital with a comfortable cushion.

The calculation and attribution of capital involves a number of assumptions and judgments by management which are monitored to ensure that the economic capital framework remains comprehensive and consistent. The models are benchmarked to leading industry practices via participation in surveys, reviews of methodologies and ongoing interaction with external risk management industry professionals.

The following outlines our attributed capital.

Attributed capital	Table 76	
(Millions of Canadian dollars)	2015	2014
Credit risk	\$ 16,400	\$ 13,800
Market risk (trading and non-trading)	3,900	3,900
Operational risk	4,600	4,300
Business and fixed asset risk	2,900	2,750
Insurance risk	550	500
Goodwill and other intangibles	11,900	11,350
Regulatory capital allocation	5,400	4,150
Attributed capital	\$ 45,650	\$ 40,750
Under attribution of capital	6,650	4,950
Average common equity	\$ 52,300	\$ 45,700

2015 vs. 2014

Attributed capital increased \$5 billion largely due to higher credit risk reflecting business growth and the impact of foreign exchange translation, and higher regulatory capital allocation. The increase in operational and business risks reflected higher revenue. Goodwill and other intangibles risk increased mainly as a result of the impact of foreign exchange translation.

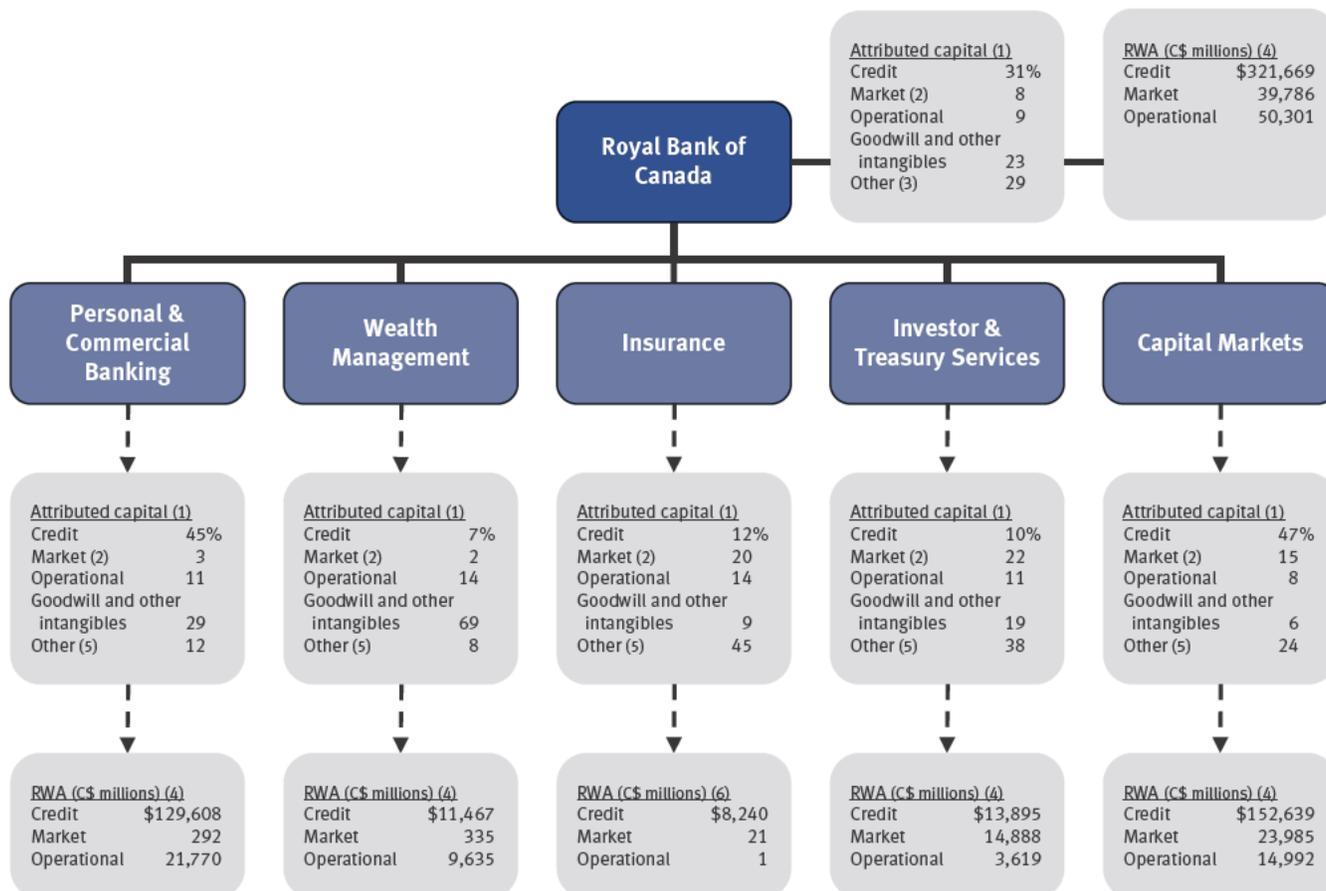
We remain well capitalized with current levels of available capital exceeding the attributed capital required to underpin all of our material risks.

Attributed capital in the context of our business activities

In carrying out our business activities, we are exposed to a range of risks. The following chart provides a high level view of risks within our business segments, which includes credit, market and operational risks. We have used attributed capital to illustrate the relative size of the risks in each of our businesses. The attributed capital distribution reflects the diversified nature of our business activities. RWA represents our exposure to credit, market and operational risk for regulatory capital requirements.

Within Personal & Commercial Banking, credit risk is the most significant risk, largely related to our personal financial services, business financial services and cards businesses. The primary risks within Wealth Management, which provides services to institutional and individual clients, are operational risk and credit risk. Risks within our Insurance operations are primarily related to insurance risk in our life, health, home and auto businesses followed by market risk and operational risk. The largest risk within Investor & Treasury Services is market risk, followed by credit risk and operational risk. The most significant risk within Capital Markets is credit risk, followed by market risk.

For additional information on the risks highlighted below, refer to the Risk management section.



- (1) Attributed capital: An estimate of the amount of equity capital required to underpin risks. It is calculated by estimating the level of capital that is necessary to support our various business, given their risks, consistent with our desired solvency standard and credit ratings.
- (2) Market risk attributed capital: An estimate of the amount of equity capital required to underpin trading market risk and interest rate risk.
- (3) Other – RBC: Includes (a) an estimate of the amount of equity capital required to underpin risks associated with business, fixed assets and insurance risks; (b) a regulatory capital adjustment since attributed capital is determined at the higher of regulatory or economic capital; and (c) unattributed capital reported representing common equity in excess of common equity attributed to our business segments which is reported in the Corporate Support segment only.
- (4) RWA amount above represents RWA for CET1.
- (5) Other – Business segments: Includes (a) an estimate of the amount of equity capital required to underpin risks associated with business, fixed assets and insurance risks; and (b) a regulatory capital adjustment since attributed capital is determined at the business segment level as the greater of regulatory or economic capital.
- (6) Insurance RWA amount above represents our investments in the insurance subsidiaries capitalized at the regulatory prescribed rate as required under Basel CAR filing.

Subsidiary capital

Our capital management framework includes the management of our subsidiaries' capital. We invest capital across the enterprise to meet any local regulators' capital adequacy requirements and maximize returns to our shareholders. We invest in our subsidiaries as appropriate during the year. We set guidelines for defining capital investments in our subsidiaries and manage the relationship between capital invested in subsidiaries and our consolidated capital base to ensure that we can access capital recognized in our consolidated regulatory capital measurements.

Each of our subsidiaries has responsibility for maintaining its compliance with any local regulatory capital adequacy requirements, which may include restrictions on the transfer of assets in the form of cash, dividends, loans or advances. Concurrently, Corporate Treasury provides centralized oversight of capital adequacy across all subsidiary entities.

Other considerations affecting capital

Capital treatment for equity investments in other entities is determined by a combination of accounting and regulatory guidelines based on the size or nature of the investment. Three broad approaches apply as follows:

- Consolidation: entities which we control are consolidated on our Consolidated Balance Sheets.
- Deduction: certain holdings are deducted in full from our regulatory capital. These include all unconsolidated "substantial investments," as defined by the Bank Act (Canada) in the capital of financial institutions, as well as all investments in insurance subsidiaries.
- Risk weighting: unconsolidated equity investments that are not deducted from capital are risk weighted at a prescribed rate for determination of capital charges.

Regulatory capital approach for securitization exposures

For our securitization exposures, we use an internal assessment approach (IAA) for exposures related to our ABCP business, and for other securitization exposures we use a combination of approaches including a ratings-based approach and the standardized approach.

While our IAA rating methodologies are based in large part on criteria that are published by External Credit Assessment Institutions (ECAIs) such as S&P and therefore are similar to the methodologies used by these institutions, they are not identical. Our ratings process includes a comparison of the available credit enhancement in a securitization structure to a stressed level of projected losses. The stress level used is determined by the desired risk profile of the transaction. As a result, we stress the cash flows of a given transaction at a higher level in order to achieve a higher rating. Conversely, transactions that only pass lower stress levels achieve lower ratings.

Most of the other securitization exposures (non-ABCP) carry external ratings and we use the lower of our own rating or the lowest external rating for determining the proper capital allocation for these positions. We periodically compare our own ratings to ECAIs ratings to ensure that the ratings provided by ECAIs are reasonable.

GRM has responsibility for providing risk assessments for capital purposes in respect of all our banking book exposures. GRM is independent of the business originating the securitization exposures and performs its own analysis, sometimes in conjunction with but always independent of the applicable business. GRM has developed asset class specific criteria guidelines which provide the rating methodologies for each asset class. The guidelines are reviewed periodically and are subject to the ratings replication process mandated by Pillar I of the Basel rules.

Additional financial information

Exposure to U.S. subprime and Alt-A through RMBS, CDOs and mortgages

Certain activities and transactions we enter into expose us to the risk of default of U.S. subprime and Alt-A residential mortgages. Our exposures to U.S. subprime and Alt-A residential mortgages of \$423 million represented less than 0.1% of our total assets as at October 31, 2015, compared to \$396 million or less than 0.1% last year. The increase of \$27 million was primarily due to the impact of foreign exchange translation.

Commercial mortgage-backed securities

The fair value of our total direct holdings of Canadian and U.S. commercial mortgage-backed securities was \$379 million as at October 31, 2015.

Assets and liabilities measured at fair value

Our financial instruments carried at fair value are classified as Level 1, 2 or 3, in accordance with the fair value hierarchy set out in IFRS 13 Fair Value Measurement. For further details on the fair value of our financial instruments and transfers between levels of the fair value hierarchy, refer to Note 3 of our audited 2015 Annual Consolidated Financial Statements.

The following table presents the total fair value of each major class of financial assets and financial liabilities measured at fair value and the percentage of the fair value of each class categorized as Level 1, 2 or 3 as at October 31, 2015.

Assets and liabilities measured at fair value		Table 77				
		As at October 31, 2015				
(Millions of Canadian dollars, except percentage amounts)	Fair value (1)	Level 1 (1)	Level 2 (1)	Level 3 (1)	Total	
Financial assets						
Securities at FVTPL	\$ 158,703	39%	61%	0%	100%	
Available-for-sale	48,149	12	80	8	100	
Assets purchased under reverse repurchase agreements and securities borrowed	114,692	0	100	0	100	
Loans	2,773	0	83	17	100	
Derivatives	193,153	2	97	1	100	
Financial liabilities						
Deposits	\$ 115,592	0%	100%	0%	100%	
Obligations related to securities sold short	47,658	67	33	0	100	
Obligations related to assets sold under repurchase agreements and securities loaned	73,362	0	100	0	100	
Derivatives	195,820	2	97	1	100	

(1) The derivative assets and liabilities presented in the table above do not reflect the impact of netting.

Accounting and control matters

Critical accounting policies and estimates

Application of critical accounting policies, judgments, estimates and assumptions

Our significant accounting policies are described in Note 2 to our audited 2015 Annual Consolidated Financial Statements. Certain of these policies, as well as estimates made by management in applying such policies, are recognized as critical because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that significantly different amounts could be reported under different conditions or using different assumptions. Our critical accounting judgments, estimates and assumptions relate to the fair value of financial instruments, allowance for credit losses, goodwill and other intangible assets, employee benefits, consolidation, derecognition of financial assets, securities impairment, application of the effective interest method, provisions, insurance claims and policy benefit liabilities and income taxes. Our critical accounting policies and estimates have been reviewed and approved by our Audit Committee, in consultation with management, as part of their review and approval of our significant accounting policies, judgments, estimates and assumptions.

Fair value of financial instruments and securities impairment

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

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

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

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

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

We record valuation adjustments to appropriately reflect counterparty credit quality of our derivative portfolio, differences between the overnight index swap (OIS) curve and London Interbank Offered Rates (LIBOR) for collateralized derivatives, funding valuation adjustments (FVA) for uncollateralized and under-collateralized OTC derivatives, unrealized gains or losses at inception of the transaction, bid-offer spreads, unobservable parameters and model limitations. These adjustments may be subjective as they require significant judgment in the input selection, such as probability of default and recovery rate, and are intended to arrive at fair value that is determined based on assumptions that market participants would use in pricing the financial instrument. The realized price for a transaction may be different from its recorded value that is previously estimated using management judgment, and may therefore impact unrealized gains and losses recognized in Non-interest income – Trading revenue or Other.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. CVA take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amount of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated daily and changes are recorded in Non-interest income – Trading revenue.

In the determination of fair value of collateralized OTC derivatives using the OIS curve, our valuation approach accounts for the difference between certain OIS rates and LIBOR for derivatives valuation as valuation adjustments.

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

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

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

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

We classify our financial instruments measured at fair value on a recurring basis into three levels based on the transparency of the inputs used to measure the fair values of the instruments. As at October 31, 2015, Level 2 instruments, whose fair values are based on observable inputs, include \$456 billion of financial assets (October 31, 2014 – \$355 billion) and \$394 billion of financial liabilities (October 31, 2014 – \$296 billion). These amounts represent 85% of our total financial assets at fair value (October 31, 2014 – 81%) and 91% of our total financial liabilities at fair value (October 31, 2014 – 89%), respectively. Level 3 instruments, whose valuations include significant unobservable inputs, include \$6 billion of financial assets (October 31, 2014 – \$6 billion) and \$2 billion of financial liabilities (October 31, 2014 – \$2 billion), representing 1% of our total financial assets at fair value (October 31, 2014 – 1%) and 1% of our total financial liabilities at fair value (October 31, 2014 – 1%), respectively.

At each reporting date or more frequently when conditions warrant, we evaluate our AFS securities to determine whether there is any objective evidence of impairment, such as a significant or prolonged decline in the fair value of the security below its cost or when an adverse effect on future cash flows from the security can be reliably estimated. When assessing impairment for debt instruments we primarily consider counterparty ratings and security-specific factors, including collateral, external ratings, subordination and other market factors. For complex debt instruments including U.S. non-agency MBS, ABS and other structured products, we also use cash flow projection models which incorporate actual and projected cash flows for each security using a number of assumptions and inputs that are based on security specific factors. The inputs and assumptions used such as default, prepayment and recovery rates are based on updated market data. For U.S. non-agency MBS, recovery rates are largely dependent upon forecasted property prices which were assessed at the municipal level, provided by a third-party vendor. In addition, we also consider the transaction structure and credit enhancement for the structured securities. If the result indicates that we will not be able to recover the entire principal and interest amount, we do a further review of the security in order to assess whether a loss would ultimately be realized. As equity securities do not have contractual cash flows, they are assessed differently than debt securities. In assessing whether there is any objective evidence that suggests that the security is impaired we consider factors which include the length of time and extent the fair value has been below the cost and the financial condition and near term prospects of the issuer. We also consider the estimated recoverable value and the period of recovery. We conduct further analysis for securities where the fair value had been below cost for greater than twelve months. If an AFS security is impaired, the cumulative unrealized losses previously recognized in Other components of equity are recognized directly in income under Non-interest income. As at October 31, 2015, our gross unrealized losses on AFS securities were \$304 million (October 31, 2014 – \$181 million). Refer to Note 4 to our audited 2015 Annual Consolidated Financial Statements for more information.

Allowance for credit losses

We maintain allowance for credit losses relating to on-balance sheet exposures, such as loans and acceptances, and off-balance sheet items such as letters of credit, guarantees and unfunded commitments, at levels that management considers appropriate to cover credit related losses incurred as at the balance sheet date.

Allowances are determined individually for loans that are individually significant, and collectively for loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment, using current and historical credit information in both quantitative and qualitative assessments. For further information on allowance for credit losses, refer to Note 5 to our audited 2015 Annual Consolidated Financial Statements.

Individually assessed loans

Loans which are individually significant are assessed individually for objective indicators of impairment. A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value.

Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell.

Collectively assessed loans

Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.

The collective impairment allowance is determined by reviewing factors including: (i) historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics, and (ii) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the balance sheet date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Future cash flows for a group of loans are collectively evaluated for impairment on the basis of the contractual cash flows of the loans in the group and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-off of loans

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

Total allowance for credit losses

Based on the procedures discussed above, management believes that the total allowance for credit losses of \$2,120 million is adequate to absorb estimated credit losses incurred in the lending portfolio as at October 31, 2015 (October 31, 2014 – \$2,085 million). This amount includes \$91 million (October 31, 2014 – \$91 million) classified in Provisions under Other liabilities on our Consolidated Balance Sheets, which relates to off-balance sheet and other items.

Goodwill and other intangible assets

We allocate goodwill to groups of cash-generating units (CGU). Goodwill is not amortized and is tested for impairment on an annual basis, or more frequently if there are objective indications of impairment. We test for impairment by comparing the recoverable amount of a CGU with its carrying amount. A CGU's recoverable amount is the higher of its fair value less cost of disposal and its value in use. The carrying amount of a CGU comprises the carrying amount of assets, liabilities, and goodwill allocated to the CGU. When the carrying value of a CGU exceeds its recoverable amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU proportionally based on the carrying amount of each asset. Any impairment charge is recognized in income in the period it is identified. Subsequent reversals of goodwill impairment are prohibited.

We estimate the value in use and fair value less costs of disposal of our CGUs primarily using a discounted cash flow method which incorporates each CGU's internal forecasts of revenues and expenses. Significant management judgment is applied in the determination of expected future cash flows (uncertainty in timing and amount), discount rates (based on CGU-specific risks) and terminal growth rates. CGU-specific risks include country risk, business/operational risk, geographic risk (including political risk, devaluation risk and government regulation), currency risk and price risk (including product pricing risk and inflation). If the forecast earnings and other assumptions in future periods deviate significantly from the current amounts used in our impairment testing, the value of our goodwill could become impaired.

Other intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives as follows: computer software – 3 to 10 years and customer relationships – 10 to 20 years. They are assessed for indicators of impairment at each reporting period if there is an indication that an asset may be impaired. An impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss. An impairment loss recognized previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognized. If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortization) had there been no prior impairment.

Significant judgment is applied in estimating the useful lives and recoverable amounts of our intangible assets and assessing whether certain events or circumstances constitute objective evidence of impairment. We do not have any other intangible assets with indefinite lives.

As at October 31, 2015, we had \$9.3 billion of goodwill (October 31, 2014 – \$8.6 billion) and \$2.8 billion of other intangible assets (October 31, 2014 – \$2.8 billion). For further details, refer to Notes 2 and 10 to our 2015 Annual Consolidated Financial Statements.

Employee benefits

We sponsor a number of benefit programs for eligible employees, including registered pension plans, supplemental pension plans, health, dental, disability and life insurance plans.

The calculation of defined benefit expenses and obligations depends on various assumptions such as discount rates, healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. The discount rate assumption is determined using spot rates from a derived Aa corporate bond yield curve for our Canadian pension and other post-employment benefit plans, and spot rates from an Aa corporate bond yield curve for our international pension and other post-employment benefit plans. All other assumptions are determined by management, applying significant judgment, and are reviewed by the actuaries. Actual experience that differs from the actuarial assumptions will affect the amounts of benefit obligations and remeasurements that we recognize. The weighted average assumptions used and the sensitivity of key assumptions are presented in Note 17 to our audited 2015 Annual Consolidated Financial Statements.

Consolidation

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

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

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

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

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

For further details, refer to Off-balance sheet arrangements and Note 7 to our audited 2015 Annual Consolidated Financial Statements.

Derecognition of financial assets

We periodically enter into transactions in which we transfer financial assets such as loans or packaged MBS to structured entities or trusts that issue securities to investors. We derecognized the assets when our contractual rights to the cash flows from the assets have expired, when we retain the rights to receive the cash flows but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements, or when we transfer our contractual rights to receive the cash flows and substantially all of the risks and rewards of the assets have been transferred. When we retain substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized from our Consolidated Balance Sheets and are accounted for as secured financing transactions. When we neither retain nor transfer substantially all risks and rewards of ownership of the assets, we derecognize the assets if control over the assets is relinquished. If we retain control over the transferred assets, we continue to recognize the transferred assets to the extent of our continuing involvement. Management's judgment is applied in determining whether we have transferred or retained substantially all risk and rewards of ownership of the transferred financial asset.

The majority of assets transferred under repurchase agreements, securities lending agreements, and in our Canadian residential mortgage securitization transactions do not qualify for derecognition; as a result, we continue to record the associated transferred assets on our Consolidated Balance Sheets and no gains or losses are recognized for these securitization activities. Otherwise, a gain or loss is recognized on securitization by comparing the carrying amount of the transferred asset with its fair value at the date of the transfer. As at October 31, 2015, the carrying and fair values of the transferred assets that do not qualify for derecognition were \$119 billion and \$119 billion, respectively (October 31, 2014 – \$101 billion and \$101 billion), and the carrying and fair values of the associated liabilities totalled \$119 billion and \$120 billion, respectively (October 31, 2014 – \$101 billion and \$102 billion). For further information on derecognition of financial assets, refer to Note 6 to our audited 2015 Annual Consolidated Financial Statements.

Application of the effective interest method

Interest is recognized in Interest income and Interest expense in the Consolidated Statements of Income for all interest bearing financial instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Significant judgment is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Provisions

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

We are required to estimate the results of ongoing legal proceedings, expenses to be incurred to dispose of capital assets, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires us to use a significant amount of judgment in projecting the timing and amount of future cash flows. We record our provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from our expectations, we may incur expenses in excess of the provisions recognized.

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

Insurance claims and policy benefit liabilities

Insurance claims and policy benefit liabilities represent current claims and estimates for future insurance policy benefits. Liabilities for life insurance contracts are determined using the Canadian Asset Liability Method, which incorporates assumptions for mortality, morbidity, policy lapses and surrenders, investment yields, policy dividends, operating and policy maintenance expenses, and provisions for adverse deviation. These assumptions are reviewed at least annually and updated in response to actual experience and market conditions. Liabilities for property and casualty insurance represent estimated provisions for reported and unreported claims. Liabilities for life and property and casualty insurance are included in Insurance claims and policy benefit liabilities. Changes in Insurance claims and policy benefit liabilities are included in the Insurance policyholder benefits, claims and acquisition expense in our Consolidated Statements of Income in the period in which the estimates change.

Income taxes

We are subject to income tax laws in various jurisdictions where we operate, and the complex tax laws are potentially subject to different interpretations by us and the relevant taxation authority. Management's judgment is applied in the interpretation of the relevant tax laws and in the estimation of the provision for current and deferred income taxes, including the expected timing and amount of the realization. A deferred tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect in the period that the asset is realized or the liability is settled. Where the temporary differences will not reverse in the foreseeable future, no deferred tax amount is recognized.

On a quarterly basis, we review whether it is probable that the benefits associated with our deferred tax assets will be realized, using both positive and negative evidence. Refer to Note 24 to our audited 2015 Annual Consolidated Financial Statements for further information.

Changes in accounting policies and disclosure

We have adopted new accounting pronouncements effective November 1, 2014. These new and amended standards include, IAS 32 Financial Instruments: Presentations and IFRS Interpretations Committee IFRIC Interpretation 21 Levies. Refer to Note 2 to our audited 2015 Annual Consolidated Financial Statements for details of these changes.

Future changes in accounting policy and disclosure

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. In September 2015, the IASB amended IFRS 15 by deferring its effective date by one year. IFRS 15 will be effective for us on November 1, 2018.

IFRS 9 Financial Instruments (IFRS 9)

In July 2014, the IASB issued the complete version of IFRS 9, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

In January 2015, OSFI issued an advisory with respect to the early adoption of IFRS 9 for D-SIBs, requiring D-SIBs to adopt IFRS 9 for the annual period beginning on November 1, 2017. As a result, we will be required to adopt IFRS 9 on November 1, 2017, with the exception of the own credit provisions of IFRS 9, which we adopted in the second quarter of 2014.

Impairment

IFRS 9 introduces an expected loss model for all financial assets not classified as or designated as at FVTPL. Allowances are measured according to the model which has three stages: (1) on initial recognition and where there has been no significant increase in credit risk or the resulting credit risk is considered to be low, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly since initial recognition, and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

The assessment of changes in credit risk since initial recognition and the estimation of expected credit losses are required to incorporate all relevant information which is available as at the reporting date. This includes information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation of expected credit losses is a discounted probability-weighted estimate.

The recognition and measurement of impairment losses under IFRS 9 is intended to be more forward-looking than under IAS 39 and the resulting provision for credit losses is expected to be more volatile. Because all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of expected credit losses, and the population of financial assets to which full lifetime expected credit losses applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with IAS 39, the allowance for credit losses is expected to increase.

Classification and measurement

IFRS 9 also introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the assets. All financial assets, including hybrid contracts, are measured at FVTPL, fair value through other comprehensive income or amortized cost replacing the existing IAS 39 classifications of held-to-maturity, loans and receivables, and available-for-sale. The combined application of the business model and contractual cash flow characteristics test may result in some differences in the population of financial assets measured at amortized cost or fair value compared with IAS 39. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

Hedge accounting

The new hedge accounting model under IFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

The new standard does not explicitly address the accounting for macro hedging activities, which is being addressed by the IASB in a separate project. As a result, IFRS 9 includes an accounting policy choice to retain IAS 39 for hedge accounting requirements until the standard resulting from the IASB's project on macro hedge accounting is effective. The new hedge accounting disclosures, however, are required for the annual period beginning November 1, 2017.

Transition

The impairment and classification and measurement requirements of IFRS 9 will be applied retrospectively by adjusting the opening balance sheet at November 1, 2017. There is no requirement to restate comparative periods. Hedge accounting, if adopted, will be applied prospectively, with limited exceptions. At this stage, it is not possible to quantify the potential financial effect of adoption of IFRS 9 to the Bank.

To manage our transition to IFRS 9, we have implemented a comprehensive enterprise-wide program led jointly by Finance and GRM that focuses on key areas of impact including financial reporting, systems and processes, as well as communications and training. We have completed a preliminary organization-wide diagnostic to assess the scope and complexity of the adoption of IFRS 9 which identified areas with differences between IFRS 9 and IAS 39, as discussed above. We will continue to monitor and revisit our preliminary conclusions in order to identify any further financial, capital and business implications.

During 2015, we continued to manage the IFRS 9 program through the completion of activities and deliverables to support the key areas of impact noted above. To date, we have:

- Conducted preliminary assessments of the accounting policy elections for the adoption of IFRS 9;
 - Initiated projects within the program framework which are in progress conducting thorough analysis, assessing financial and economic impacts and identifying process and systems requirements to ensure a successful transition;
 - Developed a resourcing model and prepared an initial cost analysis and timeline to ensure that sufficient program resources are available to meet key deliverables;
 - Provided updates to the Audit Committee and senior management to ensure timely decisions and escalation of key issues and risks; and
 - Conducted internal education seminars for key stakeholders across the Bank in the various business platforms and functional groups.
- In the upcoming year, we expect to:
- Continue to design specifications for data sourcing, systems, models, controls and processes in order to align finance and risk processes and systems;
 - Agree on accounting interpretations and formulate bank-wide policies;
 - Continue to roll out training and educational seminars to impacted internal stakeholders;
 - Develop and validate new impairment models; and
 - Design controls and governance of future processes.

As we prepare for our transition to IFRS 9, we continue to monitor industry interpretations of the new standard and expect to adjust our transition and implementation plans accordingly. Our IFRS 9 program remains aligned to our implementation schedule and we are on track to meet the timelines essential to our transition.

Future changes in regulatory disclosure

Basel Committee on Banking Supervision revised Pillar 3 disclosure requirements

In January 2015, the BCBS issued the final standard for the revised Pillar 3 which requires disclosure of standard templates to provide comparability and consistency of capital and risk disclosure amongst banks. BCBS requires all banks to provide the revised Pillar 3 disclosures by the end of fiscal 2016. The implementation date for Pillar 3 for Canadian banks is expected to be no earlier than the fourth quarter of 2017.

Controls and procedures

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer, and the Chief Administrative Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of October 31, 2015, management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Chief Administrative Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as defined under rules adopted by the United States Securities and Exchange Commission. Based on that evaluation, the President and Chief Executive Officer and the Chief Administrative Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 31, 2015.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. See Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm.

No changes were made in our internal control over financial reporting during the year ended October 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Related party transactions

In the ordinary course of business, we provide normal banking services and operational services, and enter into other transactions with associated and other related corporations, including our joint venture entities, on terms similar to those offered to non-related parties. We grant loans to directors, officers and other employees at rates normally accorded to preferred clients. In addition, we offer deferred share and other plans to non-employee directors, executives and certain other key employees. For further information, refer to Notes 12 and 29 of our audited 2015 Annual Consolidated Financial Statements.

Net interest income on average assets and liabilities

Table 78

(Millions of Canadian dollars, except for percentage amounts)	Average balances			Interest			Average rate		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Assets									
Deposits with other banks (3)									
Canada	\$ 8,463	\$ 1,692	\$ 1,355	\$ 70	\$ 61	\$ 57	0.83%	3.61%	4.21%
U.S.	5,567	540	426	12	1	4	0.22	0.19	0.94
Other International	14,837	5,227	7,370	(5)	14	13	(0.03)	0.27	0.18
	28,867	7,459	9,151	77	76	74	0.27%	1.02%	0.81%
Securities									
Trading	164,509	149,920	137,064	3,543	3,322	3,113	2.15	2.22	2.27
Available-for-sale	52,833	43,047	37,809	976	671	666	1.85	1.56	1.76
	217,342	192,967	174,873	4,519	3,993	3,779	2.08	2.07	2.16
Asset purchased under reverse repurchase agreements and securities borrowed	165,602	136,857	123,766	1,251	971	941	0.76	0.71	0.76
Loans (2)									
Canada									
Retail	326,153	314,159	301,887	12,086	12,245	12,077	3.71	3.90	4.00
Wholesale	58,946	54,681	50,248	2,715	2,721	2,486	4.61	4.98	4.95
	385,099	368,840	352,135	14,801	14,966	14,563	3.84	4.06	4.14
U.S.	36,581	28,402	22,691	780	888	776	2.13	3.13	3.42
Other International	31,261	25,067	21,129	1,301	1,125	1,015	4.16	4.49	4.80
	452,941	422,309	395,955	16,882	16,979	16,354	3.73	4.02	4.13
Total interest-earning assets	864,752	759,592	703,745	22,729	22,019	21,148	2.63	2.90	3.01
Non-interest-bearing deposits with other banks	19,283	13,495	11,511	–	–	–	–	–	–
Customers' liability under acceptances	12,423	10,725	9,663	–	–	–	–	–	–
Other assets (3)	156,342	122,688	127,081	–	–	–	–	–	–
Total assets	\$ 1,052,800	\$ 906,500	\$ 852,000	\$ 22,729	\$ 22,019	\$ 21,148	2.16%	2.43%	2.48%
Liabilities and shareholders' equity									
Deposits (4)									
Canada (1)	459,679	418,780	379,080	5,162	5,416	5,242	1.12%	1.29%	1.38%
U.S.	68,909	50,459	43,076	214	158	169	0.31	0.31	0.39
Other International	62,029	54,267	48,953	347	299	283	0.56	0.55	0.58
	590,617	523,506	471,109	5,723	5,873	5,694	0.97	1.12	1.21
Obligations related to securities sold short	56,827	50,548	48,979	1,645	1,494	1,579	2.89	2.96	3.22
Obligations related to assets sold under repurchase agreements and securities loaned	84,380	68,594	70,881	337	278	279	0.40	0.41	0.39
Subordinated debentures	7,654	6,632	8,216	240	246	336	3.14	3.71	4.09
Other interest-bearing liabilities (3)	13,585	251	484	13	12	11	0.10	4.78	2.27
Total interest-bearing liabilities	753,063	649,531	599,669	7,958	7,903	7,899	1.06	1.22	1.32
Non-interest-bearing deposits (1)	76,830	69,596	66,607	–	–	–	–	–	–
Acceptances	12,422	10,725	9,663	–	–	–	–	–	–
Other liabilities (3)	151,845	124,643	129,118	–	–	–	–	–	–
Total liabilities	\$ 994,160	\$ 854,495	\$ 805,057	\$ 7,958	\$ 7,903	\$ 7,899	0.80%	0.92%	0.98%
Equity	58,640	52,005	46,943	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total liabilities and shareholders' equity	\$ 1,052,800	\$ 906,500	\$ 852,000	\$ 7,958	\$ 7,903	\$ 7,899	0.76%	0.87%	0.93%
Net interest income and margin	\$ 1,052,800	\$ 906,500	\$ 852,000	\$ 14,771	\$ 14,116	\$ 13,249	1.40%	1.56%	1.56%
Net interest income and margin (average earning assets)									
Canada	\$ 539,333	\$ 497,436	\$ 471,448	\$ 11,538	\$ 11,121	\$ 10,956	2.14%	2.24%	2.32%
U.S.	165,083	135,876	116,016	1,977	1,896	1,603	1.20	1.40	1.38
Other International	160,336	126,280	116,281	1,256	1,099	690	0.78	0.87	0.59
Total	\$ 864,752	\$ 759,592	\$ 703,745	\$ 14,771	\$ 14,116	\$ 13,249	1.71%	1.86%	1.88%

(1) Amounts have been revised from those previously presented.

(2) Interest income includes loan fees of \$503 million (2014 – \$516 million; 2013 – \$509 million).

(3) Starting in 2015, we have included cash collateral and margin deposits, and cash collateral received in Deposits with other banks and Other interest-bearing liabilities, respectively (previously, in Other assets and Other liabilities). Insurance segment assets and liabilities are included in Other assets and Other liabilities, respectively.

(4) Deposits include personal savings deposits with average balances of \$142 billion (2014 – \$133 billion; 2013 – \$124 billion), interest expense of \$6 billion (2014 – \$7 billion; 2013 – \$7 billion) and average rates of .4% (2014 – .5%; 2013 – .6%). Deposits also include term deposits with average balances of \$345 billion (2014 – \$302 billion; 2013 – \$273 billion), interest expense of \$4.5 billion (2014 – \$4.4 billion; 2013 – \$4.3 billion) and average rates of 1.30% (2014 – 1.47%; 2013 – 1.57%).

(Millions of Canadian dollars)	2015 ⁽³⁾ vs. 2014			2014 vs. 2013		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume ⁽¹⁾	Average rate ⁽¹⁾	Net change	Average volume ⁽¹⁾	Average rate ⁽¹⁾	Net change
Assets						
Deposits with other banks ⁽²⁾						
Canada ⁽⁴⁾	\$ 244	\$ (235)	\$ 9	\$ 14	\$ (10)	\$ 4
U.S. ⁽⁴⁾	9	2	11	1	(4)	(3)
Other international ⁽⁴⁾	26	(45)	(19)	(4)	5	1
Securities						
Trading	323	(102)	221	292	(83)	209
Available-for-sale	153	152	305	92	(87)	5
Asset purchased under reverse repurchase agreements and securities borrowed	204	76	280	100	(70)	30
Loans						
Canada						
Retail	467	(626)	(159)	491	(323)	168
Wholesale	212	(218)	(6)	219	16	235
U.S.	256	(364)	(108)	195	(83)	112
Other international	278	(102)	176	189	(79)	110
Total interest income	\$ 2,172	\$ (1,462)	\$ 710	\$ 1,589	\$ (718)	\$ 871
Liabilities						
Deposits						
Canada ⁽⁵⁾	529	(783)	(254)	549	(375)	174
U.S.	58	(2)	56	29	(40)	(11)
Other international	43	5	48	31	(15)	16
Obligations related to securities sold short	186	(35)	151	51	(136)	(85)
Obligations related to assets sold under repurchase agreements and securities loaned	64	(5)	59	(9)	8	(1)
Subordinated debentures	38	(44)	(6)	(65)	(25)	(90)
Other interest-bearing liabilities ⁽²⁾	637	(636)	1	(5)	6	1
Total interest expense	\$ 1,555	\$ (1,500)	\$ 55	\$ 581	\$ (577)	\$ 4
Net interest income	\$ 617	\$ 38	\$ 655	\$ 1,008	\$ (141)	\$ 867

(1) Volume/rate variance is allocated on the percentage relationships of changes in balances and changes in rates to the total net change in net interest income.

(2) Starting in 2015, we have included cash collateral and margin deposits, and cash collateral received in Deposits with other banks and Other interest-bearing liabilities, respectively (previously, in Other assets and Other liabilities).

(3) Insurance segment assets and liabilities are included in Other assets and Other liabilities, respectively.

(4) Geographic classification for selected assets and liabilities is based on the domicile of the booking point of the subject assets and liabilities.

(5) Amounts have been revised from those previously presented.

Loans and acceptances by geography

Table 80

As at October 31 (Millions of Canadian dollars)	2015	2014	2013	2012 (1)	2011 (1)
Canada					
Residential mortgages	\$ 229,987	\$ 215,624	\$ 206,134	\$ 195,552	\$ 185,620
Personal	84,637	86,984	86,102	80,000	75,668
Credit cards	15,516	14,650	13,902	13,422	12,723
Small business	4,003	4,067	4,026	2,503	2,481
Retail	334,143	321,325	310,164	291,477	276,492
Business	71,246	64,643	58,920	51,212	45,186
Sovereign (2)	8,508	3,840	3,807	3,751	3,304
Bank	530	413	823	390	747
Wholesale	\$ 80,284	\$ 68,896	\$ 63,550	\$ 55,353	\$ 49,237
	\$ 414,427	\$ 390,221	\$ 373,714	\$ 346,830	\$ 325,729
U.S.					
Retail	5,484	4,686	3,734	3,138	3,101
Wholesale	34,702	23,639	19,443	17,081	11,094
	40,186	28,325	23,177	20,219	14,195
Other International					
Retail	8,556	8,258	6,768	5,673	5,152
Wholesale	24,536	21,881	17,103	16,900	12,110
	33,092	30,139	23,871	22,573	17,262
Total loans and acceptances	\$ 487,705	\$ 448,685	\$ 420,762	\$ 389,622	\$ 357,186
Total allowance for loan losses	(2,029)	(1,994)	(1,959)	(1,996)	(1,967)
Total loans and acceptances, net of allowance for loan losses	\$ 485,676	\$ 446,691	\$ 418,803	\$ 387,626	\$ 355,219

(1) On a continuing operations basis.

(2) In 2015, we reclassified \$4 billion from AFS securities to Loans.

Loans and acceptances by portfolio and sector

Table 81

As at October 31 (Millions of Canadian dollars)	2015	2014	2013	2012 (1)	2011 (1)
Residential mortgages	\$ 233,975	\$ 219,257	\$ 209,238	\$ 198,324	\$ 188,406
Personal	94,346	96,021	93,260	85,800	80,921
Credit cards	15,859	14,924	14,142	13,661	12,937
Small business	4,003	4,067	4,026	2,503	2,481
Retail	\$ 348,183	\$ 334,269	\$ 320,666	\$ 300,288	\$ 284,745
Business					
Agriculture	6,057	5,694	5,441	5,202	4,880
Automotive	6,614	6,209	6,167	3,585	3,025
Consumer goods	7,146	7,172	6,230	5,432	5,341
Energy					
Oil & gas	7,691	5,849	5,046	4,981	4,119
Utilities	5,162	3,766	3,860	3,821	2,275
Non-bank financial services	6,428	5,688	4,903	3,895	2,007
Forest products	1,169	979	893	811	698
Industrial products	4,725	4,665	4,038	3,938	3,381
Mining & metals	1,402	1,320	1,074	965	1,122
Real estate & related	33,802	30,387	24,413	20,650	15,569
Technology & media	6,599	4,822	4,006	4,203	2,712
Transportation & environment	5,907	5,432	5,593	5,221	4,927
Other (2)	35,133	26,604	22,716	21,447	17,011
Sovereign	9,887	4,628	4,396	4,193	4,050
Bank	1,800	1,201	1,320	990	1,324
Wholesale	\$ 139,522	\$ 114,416	\$ 100,096	\$ 89,334	\$ 72,441
Total loans and acceptances	\$ 487,705	\$ 448,685	\$ 420,762	\$ 389,622	\$ 357,186
Total allowance for loan losses	(2,029)	(1,994)	(1,959)	(1,996)	(1,967)
Total loans and acceptances, net of allowance for loan losses	\$ 485,676	\$ 446,691	\$ 418,803	\$ 387,626	\$ 355,219

(1) On a continuing operations basis.

(2) Other in 2015 related to financing products, \$10.1 billion; health, \$6.0 billion; holding and investments, \$6.9 billion; other services, \$8.8 billion; and other, \$3.3 billion.

Impaired loans by portfolio and geography
Table 82

As at October 31 (Millions of Canadian dollars, except for percentage amounts)

	2015	2014	2013	2012 (1)	2011 (1)
Residential mortgages	\$ 646	\$ 678	\$ 691	\$ 674	\$ 719
Personal	299	300	363	273	289
Small business	45	47	37	33	40
Retail	990	1,025	1,091	980	1,048
Business					
Agriculture	\$ 41	\$ 40	\$ 43	\$ 52	\$ 75
Automotive	11	12	12	17	38
Consumer goods	130	108	101	83	91
Energy					
Oil and gas	156	6	14	2	33
Utilities	57	–	–	–	–
Non-bank financial services	1	3	1	5	13
Forest products	28	25	26	30	27
Industrial products	45	48	54	88	38
Mining & metals	17	9	2	2	4
Real estate & related	297	314	367	353	464
Technology & media	34	38	117	251	47
Transportation & environment	53	32	98	73	105
Other (2)	423	315	272	312	311
Sovereign	–	–	–	–	–
Bank	2	2	3	2	33
Wholesale	1,295	952	1,110	1,270	1,279
Total impaired loans (3)	\$ 2,285	\$ 1,977	\$ 2,201	\$ 2,250	\$ 2,327
Canada					
Residential mortgages	\$ 356	\$ 388	\$ 464	\$ 475	\$ 567
Personal	223	224	229	206	188
Small business	45	47	36	34	40
Retail	624	659	729	715	795
Business					
Agriculture	39	36	38	44	62
Automotive	8	11	9	11	30
Consumer goods	65	70	58	34	48
Energy					
Oil & gas	39	4	14	–	25
Utilities	20	–	–	–	–
Non-bank financial services	–	1	1	3	1
Forest products	5	6	8	12	7
Industrial products	39	41	40	34	26
Mining & metals	7	9	2	2	2
Real estate & related	161	171	169	153	164
Technology & media	34	37	86	238	43
Transportation & environment	29	11	21	22	12
Other	66	90	80	88	93
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	512	487	526	641	513
Total	\$ 1,136	\$ 1,146	\$ 1,255	\$ 1,356	\$ 1,308
U.S.					
Retail	\$ 10	\$ 13	\$ 14	\$ 7	\$ 6
Wholesale	204	18	98	162	116
Total	\$ 214	\$ 31	\$ 112	\$ 169	\$ 122
Other International					
Retail	\$ 356	\$ 353	\$ 348	\$ 258	\$ 247
Wholesale	579	447	486	467	650
Total	\$ 935	\$ 800	\$ 834	\$ 725	\$ 897
Total impaired loans	\$ 2,285	\$ 1,977	\$ 2,201	\$ 2,250	\$ 2,327
Allowance for impaired loans	(654)	(632)	(599)	(636)	(605)
Net impaired loans	\$ 1,631	\$ 1,345	\$ 1,602	\$ 1,614	\$ 1,722
Gross impaired loans as a % of loans and acceptances					
Residential mortgages	0.28%	0.31%	0.33%	0.34%	0.38%
Personal	0.32%	0.31%	0.39%	0.32%	0.36%
Small business	1.13%	1.16%	0.83%	1.32%	1.61%
Retail	0.28%	0.31%	0.34%	0.33%	0.37%
Wholesale	0.93%	0.84%	1.11%	1.42%	1.77%
Total	0.47%	0.44%	0.52%	0.58%	0.65%
Allowance for impaired loans as a % of gross impaired loans	28.64%	31.98%	27.22%	28.33%	26.00%

(1) On a continuing operations basis.

(2) Other in 2015 is related to financing products, \$109 million; health, \$17 million; holding and investments, \$185 million; other services, \$69 million; and other, \$43 million.

(3) Past due loans greater than 90 days not included in impaired loans were \$314 million in 2015 (2014 – \$316 million; 2013 – \$346 million; 2012 – \$393 million; 2011 – \$525 million).

Provision for credit losses by portfolio and geography
Table 83

(Millions of Canadian dollars, except for percentage amounts)	2015	2014	2013	2012 (1)	2011 (1)
Residential mortgages	\$ 47	\$ 94	\$ 41	\$ 67	\$ 42
Personal	388	441	458	445	438
Credit cards	378	353	354	394	448
Small business	32	44	32	43	35
Retail	\$ 845	\$ 932	\$ 885	\$ 949	\$ 963
Business					
Agriculture	\$ 9	\$ 3	\$ 4	\$ 8	\$ 7
Automotive	3	2	3	(2)	(4)
Consumer goods	33	27	17	27	14
Energy					
Oil and gas	47	(5)	(6)	(11)	(20)
Utilities	9	32	–	–	–
Non-bank financial services	7	–	10	1	(11)
Forest products	6	7	4	5	5
Industrial products	4	14	21	32	3
Mining & metals	8	2	1	–	–
Real estate & related	29	58	62	82	66
Technology & media	5	14	157	102	(3)
Transportation & environment	8	2	35	47	29
Other (2)	85	76	44	61	82
Sovereign	–	–	–	–	–
Bank	(1)	–	–	–	–
Wholesale	\$ 252	\$ 232	\$ 352	\$ 352	\$ 168
Total provision for credit losses on impaired loans	\$ 1,097	\$ 1,164	\$ 1,237	\$ 1,301	\$ 1,131
Canada					
Residential mortgages	\$ 27	\$ 27	\$ 27	\$ 34	\$ 25
Personal	393	393	391	413	408
Credit cards	371	345	346	391	448
Small business	32	44	32	43	35
Retail	\$ 823	\$ 809	\$ 796	\$ 881	\$ 916
Business					
Agriculture	9	4	4	8	7
Automotive	3	3	3	(2)	(3)
Consumer goods	21	25	16	13	13
Energy					
Oil & gas	22	(5)	(6)	(11)	(9)
Utilities	1	–	–	–	–
Non-bank financial services	–	–	–	1	–
Forest products	1	1	3	5	4
Industrial products	7	14	14	12	3
Mining & metals	3	2	1	–	1
Real estate & related	13	34	37	43	31
Technology & media	6	14	50	98	6
Transportation & environment	7	3	2	10	5
Other	23	28	25	30	44
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	\$ 116	\$ 123	\$ 149	\$ 207	\$ 102
Total	\$ 939	\$ 932	\$ 945	\$ 1,088	\$ 1,018
U.S.					
Retail	1	2	3	4	4
Wholesale	40	40	32	29	(19)
	\$ 41	\$ 42	\$ 35	\$ 33	\$ (15)
Other International					
Retail	21	121	86	64	43
Wholesale	96	69	171	116	85
	\$ 117	\$ 190	\$ 257	\$ 180	\$ 128
Total provision for credit losses on impaired loans	\$ 1,097	\$ 1,164	\$ 1,237	\$ 1,301	\$ 1,131
Total provision for credit losses on non-impaired loans	–	–	–	(2)	2
Total provision for credit losses	\$ 1,097	\$ 1,164	\$ 1,237	\$ 1,299	\$ 1,133
Provision for credit losses as a % of average net loans and acceptances	0.24%	0.27%	0.31%	0.35%	0.33%

(1) On a continuing operations basis.

(2) Other in 2015 is related to financing products, \$39 million; holding and investments, \$19 million; other services, \$4 million; and other, \$23 million.

Allowance for credit losses by portfolio and geography
Table 84

(Millions of Canadian dollars, except percentage amounts)	2015	2014	2013	2012 (1), (2)	2011 (2)
Allowance at beginning of year	\$ 2,085	\$ 2,050	\$ 2,087	\$ 2,056	\$ 2,966
Allowance at beginning of year – discontinued operations	–	–	–	–	(854)
Provision for credit losses	1,097	1,164	1,237	1,299	1,133
Write-offs by portfolio					
Residential mortgages	(64)	(30)	(24)	(32)	(16)
Personal	(494)	(565)	(498)	(499)	(515)
Credit cards	(497)	(466)	(466)	(496)	(545)
Small business	(40)	(47)	(35)	(50)	(45)
Retail	\$ (1,095)	\$ (1,108)	\$ (1,023)	\$ (1,077)	\$ (1,121)
Business	\$ (243)	\$ (221)	\$ (448)	\$ (288)	\$ (226)
Sovereign	–	–	–	–	(9)
Bank	–	–	–	(32)	–
Wholesale	\$ (243)	\$ (221)	\$ (448)	\$ (320)	\$ (235)
Total write-offs by portfolio	\$ (1,338)	\$ (1,329)	\$ (1,471)	\$ (1,397)	\$ (1,356)
Recoveries by portfolio					
Residential mortgages	\$ 7	\$ 2	\$ 2	\$ 1	\$ 1
Personal	105	106	96	83	79
Credit cards	119	114	112	102	97
Small business	10	9	9	8	7
Retail	\$ 241	\$ 231	\$ 219	\$ 194	\$ 184
Business	\$ 33	\$ 32	\$ 51	\$ 39	\$ 60
Sovereign	–	–	–	–	–
Bank	1	–	–	–	–
Wholesale	\$ 34	\$ 32	\$ 51	\$ 39	\$ 60
Total recoveries by portfolio	\$ 275	\$ 263	\$ 270	\$ 233	\$ 244
Net write-offs	\$ (1,063)	\$ (1,066)	\$ (1,201)	\$ (1,164)	\$ (1,112)
Adjustments (3)	1	(63)	(73)	(104)	(75)
Total allowance for credit losses at end of year	\$ 2,120	\$ 2,085	\$ 2,050	\$ 2,087	\$ 2,058
Allowance against impaired loans					
Canada					
Residential mortgages	\$ 27	\$ 31	\$ 36	\$ 41	\$ 47
Personal	96	93	97	89	88
Small business	19	19	16	12	15
Retail	\$ 142	\$ 143	\$ 149	\$ 142	\$ 150
Business					
Agriculture	\$ 5	\$ 6	\$ 6	\$ 9	\$ 13
Automotive	4	4	4	7	15
Consumer goods	12	22	15	14	17
Energy					
Oil & gas	–	–	1	1	3
Utilities	1	–	–	–	–
Non-bank financial services	–	–	–	–	–
Forest products	3	3	4	6	3
Industrial products	13	18	15	10	12
Mining & metals	1	1	1	1	1
Real estate & related	28	48	42	45	47
Technology & media	12	17	46	107	20
Transportation & environment	7	5	6	8	5
Other	25	36	30	31	43
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	\$ 111	\$ 160	\$ 170	\$ 239	\$ 179
	\$ 253	\$ 303	\$ 319	\$ 381	\$ 329
U.S.					
Retail	\$ 1	\$ 1	\$ 2	\$ 1	\$ 1
Wholesale	47	16	19	38	25
	\$ 48	\$ 17	\$ 21	\$ 39	\$ 26
Other International					
Retail	\$ 169	\$ 172	\$ 146	\$ 96	\$ 80
Wholesale	184	140	113	120	170
	\$ 353	\$ 312	\$ 259	\$ 216	\$ 250
Total allowance against impaired loans	\$ 654	\$ 632	\$ 599	\$ 636	\$ 605
Allowance against non-impaired loans					
Residential mortgages	\$ 83	\$ 78	\$ 48	\$ 48	\$ 41
Personal	396	400	405	392	412
Credit cards	386	385	385	403	415
Small business	45	45	45	60	60
Retail	\$ 910	\$ 908	\$ 883	\$ 903	\$ 928
Wholesale	\$ 465	\$ 454	\$ 477	\$ 457	\$ 434
Off-balance sheet and other items	\$ 91	\$ 91	\$ 91	\$ 91	\$ 91
Total allowance against non-impaired loans	\$ 1,466	\$ 1,453	\$ 1,451	\$ 1,451	\$ 1,453
Total allowance for credit losses	\$ 2,120	\$ 2,085	\$ 2,050	\$ 2,087	\$ 2,058
Key ratios					
Allowance for credit losses as a % of loans and acceptances	0.43%	0.46%	0.49%	0.54%	0.57%
Net write-offs as a % of average net loans and acceptances	0.23%	0.25%	0.30%	0.31%	0.33%

(1) On a continuing operations basis.

(2) Opening allowance for credit losses as at November 1, 2011 has been restated due to the implementation of amendments to IFRS 11.

(3) Under IFRS, other adjustments include \$80 million of unwind of discount and \$(81) million of changes in exchange rate (2014 – \$87 million and \$(24) million; 2013 – \$86 million and \$(13) million). For further details, refer to Note 5 of our audited 2015 Annual Consolidated Financial Statements.

(Millions of Canadian dollars)	2015	2014	2013	2012 (1)	2011 (1)
Loans and acceptances					
Atlantic provinces (2)	\$ 23,040	\$ 22,130	\$ 21,263	\$ 19,953	\$ 18,481
Quebec	51,197	50,748	48,060	42,920	38,776
Ontario	175,315	159,817	152,258	141,566	141,230
Prairie provinces (3)	94,392	88,538	84,015	77,187	68,468
B.C. and territories (4)	70,483	68,988	68,118	65,204	58,774
Total loans and acceptances in Canada	\$ 414,427	\$ 390,221	\$ 373,714	\$ 346,830	\$ 325,729
Gross impaired loans					
Atlantic provinces (2)	\$ 93	\$ 81	\$ 83	\$ 67	\$ 66
Quebec	213	205	177	180	135
Ontario	341	391	424	502	398
Prairie provinces (3)	339	258	330	338	404
B.C. and territories (4)	150	211	241	269	305
Total gross impaired loans in Canada	\$ 1,136	\$ 1,146	\$ 1,255	\$ 1,356	\$ 1,308
Provision for credit losses on impaired loans					
Atlantic provinces (2)	\$ 57	\$ 51	\$ 50	\$ 62	\$ 54
Quebec	96	92	78	96	63
Ontario	590	588	605	704	686
Prairie provinces (3)	129	111	113	120	107
B.C. and territories (4)	67	90	99	106	108
Total provision for credit losses on impaired loans in Canada	\$ 939	\$ 932	\$ 945	\$ 1,088	\$ 1,018

(1) On a continuing operations basis.

(2) Comprises Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.

(3) Comprises Manitoba, Saskatchewan and Alberta.

(4) Comprises British Columbia, Nunavut, Northwest Territories and Yukon.

EDTF recommendations index

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF), established by the Financial Stability Board, issued its report Enhancing the Risk Disclosures of Banks, which included 32 recommendations aimed at achieving transparent, high-quality risk disclosures. As a result, our enhanced disclosures have been provided in our 2015 Annual Report and Supplementary Financial Information package (SFI).

The following index summarizes our disclosure by EDTF recommendation:

Type of Risk	Recommendation	Disclosure	Location of disclosure	
			Annual Report page	SFI page
General	1	Table of contents for EDTF risk disclosure	115	1
	2	Define risk terminology and measures	50-55	–
	3	Top and emerging risks	207-209	–
	4	New regulatory ratios	49-50	–
Risk governance, risk management and business model	5	Risk management organization	73, 92-93	–
	6	Risk culture	50-55	–
	7	Risk in the context of our business activities	50-52	–
	8	Stress testing	100	–
Capital adequacy and risk-weighted assets(RWA)	9	Minimum Basel III capital ratios and Domestic systemically important bank surcharge	52-53, 69	–
	10	Composition of capital and reconciliation of the accounting balance sheet to the regulatory balance sheet	92-93	–
	11	Flow statement of the movements in regulatory capital	–	21-24
	12	Capital strategic planning	–	25
	13	RWA by business segments	91-93	–
	14	RWA credit risk and related risk measurements	–	28
	15	Movement of risk-weighted assets by risk type	56-59	26-27
	16	Basel back-testing	–	42-44
	17	Basel back-testing	–	28
Liquidity	18	Quantitative and qualitative analysis of our liquidity reserve	53, 57	42
Funding	19	Encumbered and unencumbered assets by balance sheet category, and contractual obligations for rating downgrades	74-77	–
	20	Maturity analysis of consolidated total assets, liabilities and off-balance sheet commitments analyzed by remaining contractual maturity at the balance sheet date	77, 84	–
	21	Sources of funding and funding strategy	81-82	–
Market risk	22	Relationship between the market risk measures for trading and non-trading portfolios and the balance sheet	78-79	–
	23	Decomposition of market risk factors	71-72	–
	24	Market risk validation and back-testing	67-70	–
	25	Primary risk management techniques beyond reported risk measures and parameters	69	–
Credit risk	26	Bank's credit risk profile	67-69	–
		Quantitative summary of aggregate credit risk exposures that reconciles to the balance sheet	56-67	31-44
		Policies for identifying impaired loans	154-156	–
	27	Reconciliation of the opening and closing balances of impaired loans and impairment allowances during the year	108-114	40
	28	Quantification of gross notional exposure for OTC derivatives or exchange-traded derivatives	58, 103, 130-131	–
	29	Credit risk mitigation, including collateral held for all sources of credit risk	–	33,37
Other	30	Other risk types	60	46
	31	Publicly known risk events	58	41
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Management's responsibility for financial reporting

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

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

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

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

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

Deloitte LLP, Independent Registered Public Accounting Firm appointed by our shareholders upon the recommendation of the Audit Committee and Board, have performed an independent audit of the consolidated financial statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

David I. McKay
President and Chief Executive Officer

Janice R. Fukakusa
Chief Administrative Officer and Chief Financial Officer

Toronto, December 1, 2015

Report of Independent Registered Public Accounting Firm

To the Shareholders of Royal Bank of Canada

We have audited the accompanying consolidated financial statements of Royal Bank of Canada and subsidiaries (the "Bank"), which comprise the consolidated balance sheets as at October 31, 2015 and October 31, 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity, and statements of cash flows for each of the years in the three-year period ended October 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the balance sheets of Royal Bank of Canada and subsidiaries as at October 31, 2015 and October 31, 2014, and their financial performance and cash flows for each of the years in the three-year period ended October 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of October 31, 2015 based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 1, 2015 expressed an unqualified opinion on the Bank's internal control over financial reporting.

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
December 1, 2015

Management's Report on Internal Control over Financial Reporting

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

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

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

Management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Chief Administrative Officer and Chief Financial Officer, the effectiveness of our internal control over financial reporting as of October 31, 2015, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that, as of October 31, 2015, internal control over financial reporting was effective based on the criteria established in the *Internal Control – Integrated Framework (2013)*. Also, based on the results of our evaluation, management concluded that there were no material weaknesses that have been identified in internal control over financial reporting as of October 31, 2015.

Our internal control over financial reporting as of October 31, 2015 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited our Consolidated Financial Statements for the year ended October 31, 2015, as stated in the Report of Independent Registered Public Accounting Firm, which report expressed an unqualified opinion on the effectiveness of our internal control over financial reporting.

David I. McKay
President and Chief Executive Officer

Janice R. Fukakusa
Chief Administrative Officer and Chief Financial Officer

Toronto, December 1, 2015

To the Shareholders of Royal Bank of Canada

We have audited the internal control over financial reporting of Royal Bank of Canada and subsidiaries (the “Bank”) as of October 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of October 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended October 31, 2015 of the Bank and our report dated December 1, 2015 expressed an unqualified opinion on those consolidated financial statements.

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
December 1, 2015

Consolidated Balance Sheets

(Millions of Canadian dollars)	As at	
	October 31 2015	October 31 2014
Assets		
Cash and due from banks	\$ 12,452	\$ 17,421
Interest-bearing deposits with banks	22,690	8,399
Securities (Note 4)		
Trading	158,703	151,380
Available-for-sale	56,805	47,768
	215,508	199,148
Assets purchased under reverse repurchase agreements and securities borrowed	174,723	135,580
Loans (Note 5)		
Retail	348,183	334,269
Wholesale	126,069	102,954
	474,252	437,223
Allowance for loan losses (Note 5)	(2,029)	(1,994)
	472,223	435,229
Segregated fund net assets (Note 16)	830	675
Other		
Customers' liability under acceptances	13,453	11,462
Derivatives (Note 8)	105,626	87,402
Premises and equipment, net (Note 9)	2,728	2,684
Goodwill (Note 10)	9,289	8,647
Other intangibles (Note 10)	2,814	2,775
Investments in joint ventures and associates (Note 12)	360	295
Employee benefit assets (Note 17)	245	138
Other assets (Note 13)	41,267	30,695
	175,782	144,098
Total assets	\$ 1,074,208	\$ 940,550
Liabilities and equity		
Deposits (Note 14)		
Personal	\$ 220,566	\$ 209,217
Business and government	455,578	386,660
Bank	21,083	18,223
	697,227	614,100
Segregated fund net liabilities (Note 16)	830	675
Other		
Acceptances	13,453	11,462
Obligations related to securities sold short	47,658	50,345
Obligations related to assets sold under repurchase agreements and securities loaned	83,288	64,331
Derivatives (Note 8)	107,860	88,982
Insurance claims and policy benefit liabilities (Note 15)	9,110	8,564
Employee benefit liabilities (Note 17)	1,969	2,420
Other liabilities (Note 18)	41,507	37,309
	304,845	263,413
Subordinated debentures (Note 19)	7,362	7,859
Total liabilities	1,010,264	886,047
Equity attributable to shareholders (Note 21)		
Preferred shares	5,100	4,075
Common shares (shares issued – 1,443,423,151 and 1,442,232,886)	14,573	14,511
Treasury shares – preferred (shares held – (63,179) and 1,207)	(2)	–
– COMMON (shares held – 531,638 and 891,733)	38	71
Retained earnings	37,811	31,615
Other components of equity	4,626	2,418
	62,146	52,690
Non-controlling interests (Note 21)	1,798	1,813
Total equity	63,944	54,503
Total liabilities and equity	\$ 1,074,208	\$ 940,550

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

David I. McKay
President and Chief Executive Officer

David F. Denison
Director

Consolidated Statements of Income

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars, except per share amounts)			
Interest income			
Loans	\$ 16,882	\$ 16,979	\$ 16,354
Securities	4,519	3,993	3,779
Assets purchased under reverse repurchase agreements and securities borrowed	1,251	971	941
Deposits and other	77	76	74
	22,729	22,019	21,148
Interest expense			
Deposits and other	5,723	5,873	5,694
Other liabilities	1,995	1,784	1,869
Subordinated debentures	240	246	336
	7,958	7,903	7,899
Net interest income	14,771	14,116	13,249
Non-interest income			
Insurance premiums, investment and fee income (Note 15)	4,436	4,957	3,911
Trading revenue	552	742	867
Investment management and custodial fees	3,778	3,355	2,870
Mutual fund revenue	2,881	2,621	2,201
Securities brokerage commissions	1,436	1,379	1,337
Service charges	1,592	1,494	1,437
Underwriting and other advisory fees	1,885	1,809	1,569
Foreign exchange revenue, other than trading	814	827	748
Card service revenue	798	689	632
Credit fees	1,184	1,080	1,092
Net gains on available-for-sale securities (Note 4)	145	192	188
Share of profit in joint ventures and associates (Note 12)	149	162	159
Other	900	685	422
	20,550	19,992	17,433
Total revenue	35,321	34,108	30,682
Provision for credit losses (Note 5)	1,097	1,164	1,237
Insurance policyholder benefits, claims and acquisition expense (Note 15)	2,963	3,573	2,784
Non-interest expense			
Human resources (Note 17 and 22)	11,583	11,031	10,248
Equipment	1,277	1,147	1,081
Occupancy	1,410	1,330	1,235
Communications	888	847	796
Professional fees	932	763	753
Amortization of other intangibles (Note 10)	712	666	566
Other	1,836	1,877	1,535
	18,638	17,661	16,214
Income before income taxes	12,623	11,710	10,447
Income taxes (Note 24)	2,597	2,706	2,105
Net income	\$ 10,026	\$ 9,004	\$ 8,342
Net income attributable to:			
Shareholders	\$ 9,925	\$ 8,910	\$ 8,244
Non-controlling interests	101	94	98
	\$ 10,026	\$ 9,004	\$ 8,342
Basic earnings per share (in dollars) (Note 25)	\$ 6.75	\$ 6.03	\$ 5.53
Diluted earnings per share (in dollars) (Note 25)	6.73	6.00	5.49
Dividends per common share (in dollars)	3.08	2.84	2.53

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

Consolidated Statements of Comprehensive Income

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Net income	\$ 10,026	\$ 9,004	\$ 8,342
Other comprehensive income (loss), net of taxes (Note 24)			
Items that will be reclassified subsequently to income:			
Net change in unrealized gains (losses) on available-for-sale securities			
Net unrealized gains (losses) on available-for-sale securities	(76)	143	15
Reclassification of net losses (gains) on available-for-sale securities to income	(41)	(58)	(87)
	(117)	85	(72)
Foreign currency translation adjustments			
Unrealized foreign currency translation gains (losses)	5,885	2,743	1,402
Net foreign currency translation gains (losses) from hedging activities	(3,223)	(1,585)	(912)
Reclassification of losses (gains) on foreign currency translation to income	(224)	44	1
Reclassification of losses (gains) on net investment hedging activities to income	111	3	(1)
	2,549	1,205	490
Net change in cash flow hedges			
Net gains (losses) on derivatives designated as cash flow hedges	(541)	(108)	(11)
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income	330	28	(30)
	(211)	(80)	(41)
Items that will not be reclassified subsequently to income:			
Remeasurements of employee benefit plans (Note 17)	582	(236)	319
Net fair value change due to credit risk on financial liabilities designated as at fair value through profit or loss	350	(59)	-
	932	(295)	319
Total other comprehensive income (loss), net of taxes	3,153	915	696
Total comprehensive income	\$ 13,179	\$ 9,919	\$ 9,038
Total comprehensive income attributable to:			
Shareholders	\$ 13,065	\$ 9,825	\$ 8,940
Non-controlling interests	114	94	98
	\$ 13,179	\$ 9,919	\$ 9,038

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

Consolidated Statements of Changes in Equity

Other components of equity

(Millions of Canadian dollars)	Preferred shares	Common shares	Treasury shares – preferred	Treasury shares – common	Treasury shares – common	Retained earnings	Available-for-sale securities	Foreign currency translation	Cash flow hedges	Total other components of equity	Equity attributable to shareholders	Non-controlling interests	Total equity
Balance at November 1, 2012	\$ 4,813	\$ 14,323	\$ 1	\$ 30	\$ 23,162	\$ 419	\$ 196	\$ 216	\$ 831	\$ 43,160	\$ 1,761	\$ 44,921	
Changes in equity													
Issues of share capital	–	121	–	–	–	–	–	–	–	121	–	–	121
Common shares purchased for cancellation	–	(67)	–	–	(341)	–	–	–	–	(408)	–	–	(408)
Preferred shares redeemed	(213)	–	–	–	(9)	–	–	–	–	(222)	–	–	(222)
Sales of treasury shares	–	–	127	4,453	–	–	–	–	–	4,580	–	–	4,580
Purchases of treasury shares	–	–	(127)	(4,442)	–	–	–	–	–	(4,569)	–	–	(4,569)
Share-based compensation awards	–	–	–	–	(7)	–	–	–	–	(7)	–	–	(7)
Dividends on common shares	–	–	–	–	(3,651)	–	–	–	–	(3,651)	–	–	(3,651)
Dividends on preferred shares and other	–	–	–	–	(253)	–	–	–	–	(253)	–	(94)	(347)
Other	–	–	–	–	(26)	–	–	–	–	(26)	–	30	4
Net income	–	–	–	–	8,244	–	–	–	–	8,244	–	98	8,342
Total other comprehensive income (loss), net of taxes	–	–	–	–	319	(72)	490	(41)	377	696	–	–	696
Balance at October 31, 2013	\$ 4,600	\$ 14,377	\$ 1	\$ 41	\$ 27,438	\$ 347	\$ 686	\$ 175	\$ 1,208	\$ 47,665	\$ 1,795	\$ 49,460	
Changes in equity													
Issues of share capital	1,000	150	–	–	(14)	–	–	–	–	1,136	–	–	1,136
Common shares purchased for cancellation	–	(16)	–	–	(97)	–	–	–	–	(113)	–	–	(113)
Preferred shares redeemed	(1,525)	–	–	–	–	–	–	–	–	(1,525)	–	–	(1,525)
Sales of treasury shares	–	–	124	5,333	–	–	–	–	–	5,457	–	–	5,457
Purchases of treasury shares	–	–	(125)	(5,303)	–	–	–	–	–	(5,428)	–	–	(5,428)
Share-based compensation awards	–	–	–	–	(9)	–	–	–	–	(9)	–	–	(9)
Dividends on common shares	–	–	–	–	(4,097)	–	–	–	–	(4,097)	–	–	(4,097)
Dividends on preferred shares and other	–	–	–	–	(213)	–	–	–	–	(213)	–	(94)	(307)
Other	–	–	–	–	(8)	–	–	–	–	(8)	–	18	10
Net income	–	–	–	–	8,910	–	–	–	–	8,910	–	94	9,004
Total other comprehensive income (loss), net of taxes	–	–	–	–	(295)	85	1,205	(80)	1,210	915	–	–	915
Balance at October 31, 2014	\$ 4,075	\$ 14,511	\$ –	\$ 71	\$ 31,615	\$ 432	\$ 1,891	\$ 95	\$ 2,418	\$ 52,690	\$ 1,813	\$ 54,503	
Changes in equity													
Issues of share capital	1,350	62	–	–	(21)	–	–	–	–	1,391	–	–	1,391
Preferred shares redeemed	(325)	–	–	–	–	–	–	–	–	(325)	–	–	(325)
Sales of treasury shares	–	–	117	6,098	–	–	–	–	–	6,215	–	–	6,215
Purchases of treasury shares	–	–	(119)	(6,131)	–	–	–	–	–	(6,250)	–	–	(6,250)
Share-based compensation awards	–	–	–	–	(1)	–	–	–	–	(1)	–	–	(1)
Dividends on common shares	–	–	–	–	(4,443)	–	–	–	–	(4,443)	–	–	(4,443)
Dividends on preferred shares and other	–	–	–	–	(191)	–	–	–	–	(191)	–	(92)	(283)
Other	–	–	–	–	(5)	–	–	–	–	(5)	–	(37)	(42)
Net income	–	–	–	–	9,925	–	–	–	–	9,925	–	101	10,026
Total other comprehensive income (loss), net of taxes	–	–	–	–	932	(117)	2,536	(211)	2,208	3,140	13	–	3,153
Balance at October 31, 2015	\$ 5,100	\$ 14,573	\$ (2)	\$ 38	\$ 37,811	\$ 315	\$ 4,427	\$ (116)	\$ 4,626	\$ 62,146	\$ 1,798	\$ 63,944	

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

Consolidated Statements of Cash Flows

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Cash flows from operating activities			
Net income	\$ 10,026	\$ 9,004	\$ 8,342
Adjustments for non-cash items and others			
Provision for credit losses	1,097	1,164	1,237
Depreciation	527	499	445
Deferred income taxes	302	(207)	(72)
Amortization and Impairment of other intangibles	719	674	576
Impairment of investments in joint ventures and associates	3	–	20
Losses (Gains) on sale of premises and equipment	(32)	14	(24)
Losses (Gains) on available-for-sale securities	(220)	(228)	(217)
Losses (Gains) on disposition of business	(77)	95	(17)
Impairment of available-for-sale securities	59	25	26
Share of loss (profit) in joint ventures and associates	(149)	(162)	(159)
Net gains on sales of joint ventures and associates	–	(62)	–
Adjustments for net changes in operating assets and liabilities			
Insurance claims and policy benefit liabilities	546	530	113
Net change in accrued interest receivable and payable	(279)	187	(467)
Current income taxes	(905)	(206)	354
Derivative assets	(18,228)	(12,580)	16,475
Derivative liabilities	18,893	12,237	(20,017)
Trading securities	(7,401)	(7,253)	(23,038)
Loans, net of securitizations	(34,964)	(27,096)	(20,175)
Assets purchased under reverse repurchase agreements and securities borrowed	(39,143)	(18,063)	(5,260)
Deposits, net of securitizations	86,979	52,339	41,857
Obligations related to assets sold under repurchase agreements and securities loaned	18,957	3,915	(3,616)
Obligations related to securities sold short	(2,687)	3,233	6,372
Brokers and dealers receivable and payable	664	(638)	536
Other	(10,538)	(2,247)	3,794
Net cash from (used in) operating activities	24,149	15,174	7,085
Cash flows from investing activities			
Change in interest-bearing deposits with banks	(14,456)	640	1,207
Proceeds from sale of available-for-sale securities	10,331	8,795	6,476
Proceeds from maturity of available-for-sale securities	33,294	38,950	37,099
Purchases of available-for-sale securities	(51,304)	(54,208)	(41,057)
Proceeds from maturity of held-to-maturity securities	16	285	401
Purchases of held-to-maturity securities	(1,942)	(1,625)	(284)
Net acquisitions of premises and equipment and other intangibles	(1,337)	(1,227)	(932)
Proceeds from dispositions	255	173	17
Cash used in acquisitions	–	–	(2,537)
Net cash from (used in) investing activities	(25,143)	(8,217)	390
Cash flows from financing activities			
Redemption of trust capital securities	–	(900)	–
Issue of subordinated debentures	1,000	2,000	2,046
Repayment of subordinated debentures	(1,700)	(1,600)	(2,000)
Issue of common shares	62	150	121
Common shares purchased for cancellation	–	(113)	(408)
Issue of preferred shares	1,350	1,000	–
Redemption of preferred shares	(325)	(1,525)	(222)
Sales of treasury shares	6,215	5,457	4,580
Purchase of treasury shares	(6,250)	(5,428)	(4,569)
Dividends paid	(4,564)	(4,211)	(3,810)
Issuance costs	(21)	(14)	–
Dividends/distributions paid to non-controlling interests	(92)	(94)	(94)
Change in short-term borrowings of subsidiaries	(105)	(6)	(93)
Net cash from (used in) financing activities	(4,430)	(5,284)	(4,449)
Effect of exchange rate changes on cash and due from banks	455	198	96
Net change in cash and due from banks	(4,969)	1,871	3,122
Cash and due from banks at beginning of period (1)	17,421	15,550	12,428
Cash and due from banks at end of period (1)	\$ 12,452	\$ 17,421	\$ 15,550
Cash flows from operating activities include:			
Amount of interest paid	\$ 7,096	\$ 7,186	\$ 7,223
Amount of interest received	21,132	20,552	19,348
Amount of dividend received	1,843	1,702	1,478
Amount of income taxes paid	2,046	2,315	1,479

(1) We are required to maintain balances with central banks and other regulatory authorities. The total balances were \$2.6 billion as at October 31, 2015 (October 31, 2014 – \$2.0 billion; October 31, 2013 – \$2.6 billion; November 1, 2012 – \$2.1 billion).

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

Note 1 General information

Royal Bank of Canada and its subsidiaries (the Bank) provide diversified financial services including personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis. Refer to Note 30 for further details on our business segments.

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

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

On December 1, 2015, the Board of Directors authorized the Consolidated Financial Statements for issue.

Note 2 Summary of significant accounting policies, estimates and judgments

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

General

Use of estimates and assumptions

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

Significant judgments

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

Consolidation of structured entities	Note 2 – page 125 Note 7 – page 158	Securities impairment	Note 2 – page 126 Note 4 – page 150
Fair value of financial instruments	Note 2 – page 127 Note 3 – page 136	Application of the effective interest method	Note 2 – page 128
Allowance for credit losses	Note 2 – page 130 Note 5 – page 154	Derecognition of financial assets	Note 2 – page 131 Note 6 – page 157
Employee benefits	Note 2 – page 132 Note 17 – page 175	Income taxes	Note 2 – page 132 Note 24 – page 187
Goodwill and other intangibles	Note 2 – page 133 Note 10 – page 168 Note 11 – page 170	Provisions	Note 2 – page 134 Note 26 – page 189 Note 27 – page 192

Basis of consolidation

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

Consolidation

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

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

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

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

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

Investments in associates and joint ventures

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

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and if significant, are presented separately from other assets on our Consolidated Balance Sheets.

A disposal group is classified as a discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of our operations and (ii) it represents either a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Disposal groups classified as discontinued operations are presented separately from our continuing operations in our Consolidated Statements of Income.

Changes in accounting policies

During the first quarter, we adopted the following new accounting pronouncements:

IAS 32 Financial Instruments: Presentation (IAS 32)

Amendments to IAS 32 clarify the existing requirements for offsetting financial assets and financial liabilities. The standard provides clarifications on the legal right to offset transactions, and when transactions settled through a gross settlement system would meet the simultaneous settlement criteria. We retrospectively adopted the amendments on November 1, 2014. The adoption of these amendments did not have an impact on our Consolidated Financial Statements.

International Financial Reporting Standards (IFRS) Interpretations Committee IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 provides guidance on when to recognize a liability to pay a levy that is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. We prospectively adopted the standard on November 1, 2014. We did not restate our quarterly or annual results for periods before November 1, 2014 as the amounts were not significant. The adoption of this interpretation did not have a material impact on our Consolidated Financial Statements.

Financial instruments – Recognition and measurement Securities

Securities are classified at inception, based on management's intention, as at fair value through profit or loss (FVTPL), available-for-sale (AFS) or held-to-maturity. Certain debt securities with fixed or determinable payments and which are not quoted in an active market may be classified as loans and receivables.

Trading securities include securities purchased for sale in the near term which are classified as at FVTPL by nature and securities designated as at FVTPL under the fair value option. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are recorded as Trading revenue in Non-interest income. Dividends and interest income accruing on Trading securities are recorded in Interest income. Interest and dividends accrued on interest-bearing and equity securities sold short are recorded in Interest expense.

AFS securities include: (i) securities which may be sold to meet liquidity needs, in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in foreign currency risk, changes in funding sources or terms, and (ii) loan substitute securities which are client financings that have been structured as after-tax investments rather than conventional loans in order to provide the clients with a borrowing rate advantage. AFS securities are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in Other components of equity. Changes in foreign exchange rates for AFS equity securities are recognized in Other components of equity, while changes in foreign exchange rates for AFS debt securities are recognized in Foreign exchange revenue, other than trading in Non-interest income. When the security is sold, the cumulative gain or loss recorded in Other components of equity is included as Net gains on AFS securities in Non-interest income. Purchase premiums or discounts on AFS debt securities are amortized over the life of the security using the effective interest method and are recognized in Net interest income.

At each reporting date, and more frequently when conditions warrant, we evaluate our AFS securities to determine whether there is any objective evidence of impairment. Such evidence includes: for debt instruments, when an adverse effect on future cash flows from the asset or group of assets can be reliably estimated; for equity securities, when there is a significant or prolonged decline in the fair value of the investment below its cost.

When assessing impairment for debt instruments we primarily consider counterparty ratings and security-specific factors, including subordination, external ratings, and the value of any collateral held, for which there may not be a readily accessible market. Significant judgment is required in assessing impairment as management is required to consider all available evidence in determining whether objective evidence of impairment exists and whether the principal and interest on the AFS debt security can be fully recovered. For complex debt instruments we use cash flow projection models which incorporate actual and projected cash flows for each security based on security specific factors using a number of assumptions and inputs that involve management judgment, such as default, prepayment and recovery rates. Due to the subjective nature of choosing these inputs and assumptions, the actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause a different conclusion as to the recognition of impairment or measurement of impairment loss.

In assessing whether there is any objective evidence that suggests that equity securities are impaired, we consider factors which include the length of time and extent the fair value has been below cost, along with management's assessment of the financial condition, business and other risks of the issuer. Management weighs all these factors to determine the impairment but to the extent that management judgment may differ from the actual experience of the timing and amount of the recovery of the fair value, the estimate for impairment could change from period to period based upon future events that may or may not occur, and the conclusion for the impairment of the equity securities may differ.

If an AFS security is impaired, the cumulative unrealized loss previously recognized in Other components of equity is removed from equity and recognized in Net gains on AFS securities under Non-interest income. This amount is determined as the difference between the cost/amortized cost and current fair value of the security less any impairment loss previously recognized. Subsequent to impairment, further declines in fair value are recorded in Non-interest income, while increases in fair value are recognized in Other components of equity until sold. For AFS debt securities, reversal of previously recognized impairment losses is recognized in our Consolidated Statements of Income if the recovery is objectively related to a specific event occurring after recognition of the impairment loss.

Held-to-maturity securities are debt securities where we have the intention and the ability to hold the investment until its maturity date. These securities are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest method, less any impairment losses which we assess using the same impairment model as for loans. Interest income and amortization of premiums and discounts on debt securities are recorded in Net interest income. For held-to-maturity securities, reversal of previously recognized impairment losses is recognized in our Consolidated Statements of Income if the recovery is objectively related to a specific event occurring after the recognition of the impairment loss. Reversals of impairment losses on held-to-maturity securities are recorded to a maximum of what the amortized cost of the investment would have been, had the impairment not been recognized at the date the impairment is reversed. Held-to-maturity securities have been included with AFS securities on our Consolidated Balance Sheets.

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

Fair value option

A financial instrument can be designated as at FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term. An instrument that is designated as at FVTPL by way of this fair value option must have a reliably measurable fair value and satisfy one of the following criteria: (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing gains and losses on them on a different basis (an accounting mismatch); (ii) it belongs to a group of financial assets or financial liabilities or both that are managed, evaluated, and reported to key management personnel on a fair value basis in accordance with our risk management strategy, and we can demonstrate that significant financial risks are eliminated or significantly reduced; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as at FVTPL are recorded at fair value and any unrealized gain or loss arising due to changes in fair value is included in Trading revenue or Non-interest income – Other. Financial liabilities designated as at FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Amounts recognized in OCI will not be reclassified subsequently to net income. The remaining fair value changes are recorded in Trading revenue or Non-interest income – Other. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognized in net income.

To determine the fair value adjustments on our debt designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period with the change in present value recorded in OCI, Trading revenue or Non-interest income – Other as appropriate.

Determination of fair value

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

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

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

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

We record valuation adjustments to appropriately reflect counterparty credit quality of our derivative portfolio, differences between the overnight index swap (OIS) curve and London Interbank Offered Rates (LIBOR) for collateralized derivatives, funding valuation adjustments (FVA) for uncollateralized and under-collateralized over-the-counter (OTC) derivatives, unrealized gains or losses at inception of the transaction, bid-offer spreads, unobservable parameters and model limitations. These adjustments may be subjective as they require significant judgment in the input selection, such as probability of default and recovery rate, and are intended to arrive at fair value that is determined based on

assumptions that market participants would use in pricing the financial instrument. The realized price for a transaction may be different from its recorded value that is previously estimated using management judgment, and may therefore impact unrealized gains and losses recognized in Non-interest income – Trading revenue or Other.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amounts of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated daily and changes are recorded in Non-interest income – Trading revenue.

In the determination of fair value of collateralized OTC derivatives using the OIS curve, our valuation approach accounts for the difference between certain OIS rates and LIBOR for derivatives valuation as valuation adjustments.

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

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

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

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

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

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

Interest

Interest is recognized in Interest income and Interest expense in the Consolidated Statements of Income for all interest bearing financial instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Significant judgment is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalized on initial recognition. For financial assets and financial liabilities measured at amortized cost, capitalized transaction costs are amortized through Net income over the estimated life of the instrument using the effective interest method. For AFS financial assets measured at fair value that do not have fixed or determinable payments and no fixed maturity, capitalized transaction costs are recognized in Net income when the asset is derecognized or becomes impaired.

Offsetting financial assets and financial liabilities

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

Assets purchased under reverse repurchase agreements and sold under repurchase agreements

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

Reverse repurchase agreements and repurchase agreements are carried on our Consolidated Balance Sheets at the amounts at which the securities were initially acquired or sold, except when they are designated as at FVTPL and are recorded at fair value. Interest earned on reverse

repurchase agreements is included in Interest income, and interest incurred on repurchase agreements is included in Interest expense in our Consolidated Statements of Income. Changes in fair value for reverse repurchase agreements and repurchase agreements designated as at FVTPL are included in Trading revenue or Other in Non-interest income.

Derivatives

Derivatives are primarily used in sales and trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate swaps, interest rate futures, forward rate agreements, interest rate options, foreign exchange forward contracts, cross currency swaps, foreign currency futures, foreign currency options, equity swaps and credit derivatives. All derivative instruments are recorded on our Consolidated Balance Sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts and are not closely related to the host contracts.

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments with the effect that some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is not carried at fair value with changes in fair value reported in our Consolidated Statements of Income, the embedded derivative is generally required to be separated from the host contract and accounted for separately as at FVTPL if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. All embedded derivatives are presented on a combined basis with the host contracts although they are separated for measurement purposes when conditions requiring separation are met.

When derivatives are used in sales and trading activities, the realized and unrealized gains and losses on these derivatives are recognized in Trading revenue in Non-interest income. Derivatives with positive fair values are reported as Derivative assets and derivatives with negative fair values are reported as Derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Derivative assets and Derivative liabilities. Premiums paid and premiums received are shown in Derivative assets and Derivative liabilities, respectively.

When derivatives are used to manage our own exposures, we determine for each derivative whether hedge accounting can be applied, as discussed in the Hedge accounting section below.

Hedge accounting

We use derivatives and non-derivatives in our hedging strategies to manage our exposure to interest rate, currency, credit and other market risks. Where hedge accounting can be applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and strategy for undertaking the hedge transaction. The documentation identifies the specific asset, liability or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. We assess, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments are 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. A hedge is regarded as highly effective only if the following criteria are met: (i) at inception of the hedge and throughout its life, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, and (ii) actual results of the hedge are within a pre-determined range. In the case of hedging a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that could ultimately affect the reported net profit or loss. Hedge accounting is discontinued when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, upon the sale or early termination of the hedged item, or when the forecast transaction is no longer deemed highly probable. Refer to Note 8 for the fair value of derivatives and non-derivative instruments categorized by their hedging relationships, as well as derivatives that are not designated in hedging relationships.

Fair value hedges

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

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

Cash flow hedges

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

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

Net investment hedges

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

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

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as AFS. Loans are initially recognized at fair value. When loans are issued at a market rate, fair value is represented by the cash advanced to the borrowers. Loans are subsequently measured at amortized cost using the effective interest method less impairment, unless we intend to sell them in the near future upon origination or they have been designated as at FVTPL, in which case they are carried at fair value.

We assess at each balance sheet date whether there is objective evidence that the loans (including debt securities reclassified as loans) are impaired. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. Whenever a payment is 90 days past due, loans other than credit card balances and loans guaranteed or insured by a Canadian government (Federal or Provincial) or a Canadian government agency (collectively, Canadian government) are classified as impaired unless they are fully secured and collection efforts are reasonably expected to result in repayment of debt within 180 days of the loans becoming past due. Loans guaranteed by a Canadian government are classified as impaired when the loan is contractually 365 days in arrears. Credit card balances are written off when a payment is 180 days in arrears.

Assets acquired to satisfy loan commitments are recorded at their fair value less costs to sell. Fair value is determined based on either current market value where available or discounted cash flows. Any excess of the carrying value of the loan over the fair value of the assets acquired is recognized by a charge to Provision for credit losses.

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

Allowance for credit losses

An allowance for credit losses is established if there is objective evidence that we will be unable to collect all amounts due on our loans portfolio according to the original contractual terms or the equivalent value. This portfolio includes on-balance sheet exposures, such as loans and acceptances, and off-balance sheet items such as letters of credit, guarantees and unfunded commitments.

The allowance for credit losses is increased by the impairment losses recognized and decreased by the amount of write-offs, net of recoveries. The allowance for credit losses for on-balance sheet items is included as a reduction to assets, and the allowance for credit losses relating to off-balance sheet items is included in Provisions under Other Liabilities.

We assess whether objective evidence of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

Allowance for credit losses represent management's best estimates of losses incurred in our loan portfolio at the balance sheet date. Management's judgment is required in making assumptions and estimations when calculating allowances on both individually and collectively assessed loans. The underlying assumptions and estimates used for both individually and collectively assessed loans can change from period to period and may significantly affect our results of operations.

Individually assessed loans

Loans which are individually significant are assessed individually for objective indicators of impairment. A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value.

Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell. Individually-assessed impairment losses reduce the carrying amount of the loan through the use of an allowance account and the amount of the loss is recognized in Provision for credit losses in our Consolidated Statements of Income. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Significant judgment is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining the impairment loss. When assessing objective evidence of impairment we primarily consider specific factors such as the financial condition of the borrower, borrower's default or delinquency in interest or principal payments, local economic conditions and other observable data. In determining the estimated recoverable amount we consider discounted expected future cash flows at the effective interest rate using a number of assumptions and inputs. Management judgment is involved when choosing these inputs and assumptions used such as the expected amount of the loan that will not be recovered and the cost of time delays in collecting principal and/or interest, and when estimating the value of any collateral held for which there may not be a readily accessible market. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the Allowance for credit losses.

Collectively assessed loans

Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.

The collective impairment allowance is determined by reviewing factors including: (i) historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics, and (ii) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the balance sheet date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Future cash flows for a group of loans are collectively evaluated for impairment on the basis of the contractual cash flows of the loans in the group and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not

currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Collectively-assessed impairment losses reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognized in Provision for credit losses. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

The methodology and assumptions used to calculate collective impairment allowances are subject to uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio. Significant judgment is required in assessing historical loss experience, the loss identification period and its relationship to current portfolios including delinquency, and loan balances; and current business, economic and credit conditions including industry specific performance, unemployment and country risks. Changes in these assumptions would have a direct impact on the Provision for credit losses and may result in changes in the related Allowance for credit losses.

Write-off of loans

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

Derecognition of financial assets

Our various securitization activities generally consist of the transfer of financial assets such as loans or packaged mortgage-backed securities (MBS) to independent structured entities or trusts that issue securities to investors.

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

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

Derecognition of financial liabilities

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

Guarantees

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

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

Insurance and segregated funds

Premiums from long-duration contracts, primarily life insurance, are recognized when due in Non-interest income – Insurance premiums, investment and fee income. Premiums from short-duration contracts, primarily property and casualty, and fees for administrative services are recognized in Insurance premiums, investment and fee income over the related contract period. Unearned premiums of the short-duration contracts, representing the unexpired portion of premiums, are reported in Other liabilities. Investments made by our insurance operations are classified as AFS or loans and receivables, except for investments supporting the policy benefit liabilities on life and health insurance contracts and a portion of property and casualty contracts. These are designated as at FVTPL with changes in fair value reported in Insurance premiums, investment and fee income.

Insurance claims and policy benefit liabilities represent current claims and estimates for future insurance policy benefits. Liabilities for life insurance contracts are determined using the Canadian Asset Liability Method (CALM), which incorporates assumptions for mortality, morbidity, policy lapses and surrenders, investment yields, policy dividends, operating and policy maintenance expenses, and provisions for adverse deviation. These assumptions are reviewed at least annually and updated in response to actual experience and market conditions. Liabilities for property and casualty insurance represent estimated provisions for reported and unreported claims. Liabilities for life and property and casualty insurance are included in Insurance claims and policy benefit liabilities. Changes in Insurance claims and policy benefit liabilities are included in the Insurance policyholder benefits, claims and acquisition expense in our Consolidated Statements of Income in the period in which the estimates change.

Premiums ceded for reinsurance and reinsurance recoveries on policyholder benefits and claims incurred are reported in income and expense as appropriate. Reinsurance recoverables, which relate to paid benefits and unpaid claims, are included in Other assets.

Acquisition costs for new insurance business consist of commissions, premium taxes, certain underwriting costs and other costs that vary with the acquisition of new business. Deferred acquisition costs for life insurance products are implicitly recognized in Insurance claims and policy benefit liabilities by CALM. For property and casualty insurance, these costs are classified as Other assets and amortized over the policy term.

Segregated funds are lines of business in which we issue an insurance contract where the benefit amount is directly linked to the market value of the investments held in the underlying fund. The contractual arrangement is such that the underlying segregated fund assets are registered in our name but the segregated fund policyholders bear the risks and rewards of the funds' investment performance. Liabilities for these contracts are calculated based on contractual obligations using actuarial assumptions and are at least equivalent to the surrender or transfer value calculated by reference to the value of the relevant underlying funds or indices. Segregated funds' assets and liabilities are separately presented on our Consolidated Balance Sheets. As the segregated fund policyholders bear the risks and rewards of the funds' performance, investment income earned by the segregated funds and expenses incurred by the segregated funds are offset and are not separately presented in our Consolidated Statements of Income. Fee income we earn from segregated funds includes management fees, mortality, policy administration and surrender charges, and these fees are recorded in Non-interest income – Insurance premiums, investment and fee income. We provide minimum death benefit and maturity value guarantees on segregated funds. The liability associated with these minimum guarantees is recorded in Insurance claims and policy benefit liabilities.

Liability adequacy tests are performed for all insurance contract portfolios at each balance sheet date to ensure the adequacy of insurance contract liabilities. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. When the test results indicate that there is a deficiency in liabilities, the deficiency is charged immediately to our Consolidated Statements of Income by writing down the deferred acquisition costs in Other assets and/or increasing Insurance claims and policy benefit liabilities.

Employee benefits – Pensions and other post-employment benefits

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

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

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

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

Share-based compensation

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

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

For cash-settled awards, our accrued obligations are adjusted to their fair value at each balance sheet date. For share-settled awards, our accrued obligations are based on the fair value of our common shares at the date of grant. Changes in our obligations, net of related hedges, are recorded as Non-interest expense – Human resources in our Consolidated Statements of Income with a corresponding increase in Other liabilities for cash-settled awards and in Retained earnings for share-settled awards.

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

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

Income taxes

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

Current income tax payable on profits is recognized as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the balance sheet date. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting and tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our subsidiaries, branches, associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realized

or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. Our Consolidated Statements of Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

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

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

The determination of our deferred tax asset or liability also requires significant management judgment as the recognition is dependent on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled. Any changes in our projection will result in changes in deferred tax assets or liabilities on our Consolidated Balance Sheets, and also deferred tax expense in our Consolidated Statements of Income.

Business combinations, goodwill and other intangibles

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

Goodwill

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

Significant judgment is involved in estimating the model inputs used to determine the recoverable amount of our CGU, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on financial plans agreed by management which are estimated based on forecast results, business initiatives, planned capital investments and returns to shareholders. Discount rates are based on the bank-wide cost of capital, adjusted for CGU-specific risks and currency exposure as reflected by differences in expected inflation. Bank-wide cost of capital is based on the Capital Asset Pricing Model. CGU-specific risks include country risk, business/operational risk, geographic risk (including political risk, devaluation risk, and government regulation), currency risk, and price risk (including product pricing risk and inflation). Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Changes in these assumptions may impact the amount of impairment loss recognized in Non-interest expense.

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

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

Other intangibles

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

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

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

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

Other

Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars at historical rates. Non-monetary financial assets classified as AFS securities, such as equity instruments, that are measured at fair value are translated into Canadian dollars at rates prevailing at the balance sheet date, and the resulting foreign exchange gains and losses are recorded in Other components of equity until the asset is sold or becomes impaired.

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

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

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation, except for land which is not depreciated, and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 25 to 50 years for buildings, 3 to 10 years for computer equipment, and 7 to 10 years for furniture, fixtures and other equipment. The amortization period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years. Depreciation methods, useful lives, and residual values are reassessed at each reporting period and adjusted as appropriate. Gains and losses on disposal are recorded in Non-interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Provisions

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

We are required to estimate the results of ongoing legal proceedings, expenses to be incurred to dispose of capital assets, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires us to use a significant amount of judgment in projecting the timing and amount of future cash flows. We record our provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from our expectations, we may incur expenses in excess of the provisions recognized.

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

Commissions and fees

Portfolio management and other management advisory and service fees are recognized based on the applicable service contracts. Fees related to provision of services including asset management, wealth management, financial planning and custody services that cover a specified service period, are recognized over the period in which the service is provided. Investment management and custodial fees are generally calculated as a percentage of daily or period-end net asset values, and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contracts. Management fees are generally derived from assets under management (AUM) when our clients solicit the investment capabilities of an investment manager and administrative fees are derived from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager. Performance-based fees, which are earned upon exceeding certain benchmarks or performance targets, are recognized only when the benchmark or performance targets are achieved. Fees such as underwriting fees and brokerage fees that are related to the provision of specific transaction type services are recognized when the service has been completed.

Dividend income

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed upon period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee, where title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Operating leases

When we are the lessee in an operating lease, we record rental payments on a straight-line basis over the lease term in Non-interest expense.

Finance leases

When we are the lessee in a finance lease, we initially record both the leased asset and the related lease obligation in Premises and equipment, Other intangibles and Other liabilities on our Consolidated Balance Sheets at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the date of inception of the lease. Initial direct costs directly attributed to the lease are recognized as an asset under the finance lease.

Earnings per share

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

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities or contracts that entitle their holders to obtain common shares in the future, to the extent such entitlement is not subject to unresolved contingencies. For contracts that may be settled in cash or in common shares at our option, diluted earnings per share is calculated based on the assumption that such contracts will be settled in shares. Income and expenses associated with these types of contracts are excluded from the Net income available to common shareholders, and the additional number of shares that would be issued is included in the diluted earnings per share calculation. These contracts include our convertible Preferred Shares and Trust Capital Securities with the conversion assumed to have taken place at the beginning of the period or on the date of issue, if later. For stock options whose exercise price is less than the average market price of our common shares, they are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

Share capital

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

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

Future changes in accounting policy and disclosure

The following standards have been issued, but are not yet effective for us. We are currently assessing the impact of adopting these standards on our Consolidated Financial Statements:

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. In September 2015, the IASB amended IFRS 15 by deferring its effective date by one year. IFRS 15 will be effective for us on November 1, 2018.

IFRS 9 Financial Instruments (IFRS 9)

In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at FVTPL, fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures.

We adopted the own credit provisions of IFRS 9 in the second quarter of 2014. The remaining sections of IFRS 9 will be effective for us on November 1, 2017.

Carrying value and fair value of selected financial instruments

The following tables provide a comparison of the carrying and fair values for each classification of financial instruments.

	As at October 31, 2015							
	Carrying value and fair value			Carrying value	Fair value		Total carrying amount	Total fair value
	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Available-for-sale instruments measured at fair value	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost			
(Millions of Canadian dollars)								
Financial assets								
Securities								
Trading	\$ 148,939	\$ 9,764	\$ –	\$ –	\$ –	\$ 158,703	\$ 158,703	
Available-for-sale (1)	–	–	48,164	8,641	8,759	56,805	56,923	
	148,939	9,764	48,164	8,641	8,759	215,508	215,626	
Assets purchased under reverse repurchase agreements and securities borrowed	–	114,692	–	60,031	60,071	174,723	174,763	
Loans								
Retail	166	–	–	346,795	348,513	346,961	348,679	
Wholesale	1,280	1,327	–	122,655	121,316	125,262	123,923	
	1,446	1,327	–	469,450	469,829	472,223	472,602	
Other								
Derivatives	105,626	–	–	–	–	105,626	105,626	
Other assets (2)	–	925	–	44,852	44,852	45,777	45,777	
Financial liabilities								
Deposits								
Personal	\$ 69	\$ 16,828	–	\$ 203,669	\$ 204,019	\$ 220,566	\$ 220,916	
Business and government (3)	–	93,319	–	362,259	363,305	455,578	456,624	
Bank (4)	–	5,376	–	15,707	15,713	21,083	21,089	
	69	115,523	–	581,635	583,037	697,227	698,629	
Other								
Obligations related to securities sold short	47,658	–	–	–	–	47,658	47,658	
Obligations related to assets sold under repurchase agreements and securities loaned	–	73,362	–	9,926	9,928	83,288	83,290	
Derivatives	107,860	–	–	–	–	107,860	107,860	
Other liabilities (5)	192	13	–	43,251	43,196	43,456	43,401	
Subordinated debentures	–	112	–	7,250	7,078	7,362	7,190	

	As at October 31, 2014							
	Carrying value and fair value			Carrying value	Fair value		Total carrying amount	Total fair value
	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Available-for-sale instruments measured at fair value	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost			
(Millions of Canadian dollars)								
Financial assets								
Securities								
Trading	\$ 141,217	\$ 10,163	\$ –	\$ –	\$ –	\$ 151,380	\$ 151,380	
Available-for-sale (1)	–	–	46,009	1,759	1,762	47,768	47,771	
	141,217	10,163	46,009	1,759	1,762	199,148	199,151	
Assets purchased under reverse repurchase agreements and securities borrowed	–	85,292	–	50,288	50,288	135,580	135,580	
Loans								
Retail	–	–	–	333,045	334,475	333,045	334,475	
Wholesale	1,337	2,278	–	98,569	98,461	102,184	102,076	
	1,337	2,278	–	431,614	432,936	435,229	436,551	
Other								
Derivatives	87,402	–	–	–	–	87,402	87,402	
Other assets (2)	–	930	–	32,975	32,975	33,905	33,905	
Financial liabilities								
Deposits								
Personal	\$ 112	\$ 13,289	–	\$ 195,816	\$ 195,964	\$ 209,217	\$ 209,365	
Business and government (3)	–	59,446	–	327,214	328,328	386,660	387,774	
Bank (4)	–	6,592	–	11,631	11,636	18,223	18,228	
	112	79,327	–	534,661	535,928	614,100	615,367	
Other								
Obligations related to securities sold short	50,345	–	–	–	–	50,345	50,345	
Obligations related to assets sold under repurchase agreements and securities loaned	–	58,411	–	5,920	5,921	64,331	64,332	
Derivatives	88,982	–	–	–	–	88,982	88,982	
Other liabilities (5)	20	30	–	36,816	36,762	36,866	36,812	
Subordinated debentures	–	106	–	7,753	7,712	7,859	7,818	

(1) Available-for-sale (AFS) securities include held-to-maturity securities that are recorded at amortized cost.

(2) The total carrying amount is comprised of Customers' liability under acceptances and financial instruments included in Other assets of \$13.5 billion and \$32.3 billion (October 31, 2014 – \$11.5 billion and \$22.4 billion), respectively.

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

(4) Bank deposits refer to deposits from regulated banks.

(5) The total carrying amount is comprised of Acceptances and financial instruments included in Other liabilities of \$13.5 billion and \$30 billion (October 31, 2014 – \$11.5 billion and \$25.4 billion), respectively.

Loans and receivables designated as at fair value through profit or loss

The following tables present information on loans and receivables designated as at FVTPL. For our loans and receivables designated as at FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in fair value calculated using the appropriate risk-free yield curves.

	As at October 31, 2015						
	Carrying amount of loans and receivables designated as at FVTPL	Maximum exposure to credit risk	Extent to which credit derivatives or similar instruments mitigate credit risk	Changes in fair value for the year attributable to changes in credit risk for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held ⁽¹⁾	Changes in fair value of credit derivatives or similar instruments for the year	Cumulative change in fair value of credit derivatives or similar instruments ⁽¹⁾
(Millions of Canadian dollars)							
Interest-bearing deposits with banks	\$ 15,717	\$ 15,717	\$ –	\$ –	\$ –	\$ –	\$ –
Assets purchased under reverse repurchase agreements and securities borrowed	114,692	114,692	–	–	–	–	–
Loans – Wholesale	1,327	1,327	–	10	–	3	3
Other assets	202	202	–	–	–	–	–
	\$ 131,938	\$ 131,938	\$ –	\$ 10	\$ –	\$ 3	\$ 3

	As at October 31, 2014						
	Carrying amount of loans and receivables designated as at FVTPL	Maximum exposure to credit risk	Extent to which credit derivatives or similar instruments mitigate credit risk	Changes in fair value for the year attributable to changes in credit risk for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held ⁽¹⁾	Changes in fair value of credit derivatives or similar instruments for the year	Cumulative change in fair value of credit derivatives or similar instruments ⁽¹⁾
(Millions of Canadian dollars)							
Interest-bearing deposits with banks	\$ 5,603	\$ 5,603	\$ –	\$ –	\$ –	\$ –	\$ –
Assets purchased under reverse repurchase agreements and securities borrowed	85,292	85,292	–	–	–	–	–
Loans – Wholesale	2,278	2,278	242	4	5	–	–
Other assets	326	326	–	–	–	–	–
	\$ 93,499	\$ 93,499	\$ 242	\$ 4	\$ 5	\$ –	\$ –

(1) The cumulative change is measured from the initial recognition of the credit derivative or similar instruments.

Liabilities designated as at fair value through profit or loss

The following tables present the changes in the fair value of our financial liabilities designated as at FVTPL as well as their contractual maturity and carrying amounts. For our financial liabilities designated as at FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in the fair value attributable to changes in market conditions such as changes in benchmark interest rate or foreign exchange rate.

	As at October 31, 2015					
	Contractual maturity amount	Carrying value	Difference between carrying value and contractual maturity amount	Changes in fair value for the year attributable to changes in credit risk included in net income for positions still held	Changes in fair value for the year attributable to changes in credit risk included in other comprehensive income for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held ⁽¹⁾
(Millions of Canadian dollars)						
Term deposits						
Personal	\$ 16,595	\$ 16,828	\$ 233	\$ –	\$ (93)	\$ (74)
Business and government ⁽²⁾	93,225	93,319	94	–	(387)	(329)
Bank ⁽³⁾	5,376	5,376	–	–	–	–
	115,196	115,523	327	–	(480)	(403)
Obligations related to assets sold under repurchase agreements and securities loaned	73,364	73,362	(2)	–	–	–
Other liabilities	13	13	–	–	–	–
Subordinated debentures	108	112	4	–	–	(3)
	\$ 188,681	\$ 189,010	\$ 329	\$ –	\$ (480)	\$ (406)

	As at October 31, 2014					
	Contractual maturity amount	Carrying value	Difference between carrying value and contractual maturity amount	Changes in fair value for the year attributable to changes in credit risk included in net income for positions still held	Changes in fair value for the year attributable to changes in credit risk included in other comprehensive income for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held ⁽¹⁾
(Millions of Canadian dollars)						
Term deposits						
Personal	\$ 12,964	\$ 13,289	\$ 325	\$ –	\$ 13	\$ 19
Business and government ⁽²⁾	59,139	59,446	307	–	61	58
Bank ⁽³⁾	6,592	6,592	–	–	–	–
	78,695	79,327	632	–	74	77
Obligations related to assets sold under repurchase agreements and securities loaned	58,413	58,411	(2)	–	–	–
Other liabilities	30	30	–	–	–	–
Subordinated debentures	101	106	5	–	3	(3)
	\$ 137,239	\$ 137,874	\$ 635	\$ –	\$ 77	\$ 74

(1) The cumulative change is measured from the initial recognition of the liabilities designated as at FVTPL. For the year ended October 31, 2015, \$3 million of fair value losses previously included in Other comprehensive income (OCI) relate to financial liabilities derecognized during the year (October 31, 2014 – \$4 million).

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

(3) Bank term deposits refer to deposits from regulated banks.

The following describes how fair values are determined, what inputs are used and where they are classified in the fair value hierarchy table above, for our significant assets and liabilities that are measured at fair value on a recurring basis:

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

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

Corporate and U.S. municipal bonds

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

Asset-backed securities and Mortgage-backed securities

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

Auction rate securities

Auction rate securities (ARS) are included in U.S. state, municipal and agencies debt, and Asset-backed securities in the fair value hierarchy table. The valuation of ARS involves discounting forecasted cash flows from the underlying student loan collateral and incorporating multiple inputs such as default, prepayment, deferment and redemption rates, and credit spreads. These inputs are unobservable, and therefore, ARS are classified as Level 3 in the hierarchy. All relevant data must be assessed and significant judgment is required to determine the appropriate valuation inputs.

Equities

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

Derivatives

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

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

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

Deposits

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

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

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

As at October 31, 2015 (Millions of Canadian dollars, except for prices, percentages and ratios)

Products	Reporting line in the fair value hierarchy table	Fair value		Valuation techniques	Significant unobservable inputs (1)	Range of input values (2), (3)		
		Assets	Liabilities			Low	High	Weighted average / Inputs distribution (4)
Non-derivative financial instruments								
Asset-backed securities	Asset-backed securities	\$ 48		Price-based	Prices	n.a.	n.a.	n.a.
	Obligations related to securities sold short		\$ -	Discounted cash flows	Discount margins	3.43%	13.10%	8.27%
					Yields	1.39%	2.78%	1.79%
					Default rates	-%	5.00%	2.50%
					Prepayment rates	-%	30.00%	15.00%
					Loss severity rates	20.00%	70.00%	45.00%
Auction rate securities	U.S. state, municipal and agencies debt	699		Discounted cash flows	Discount margins	1.65%	4.50%	2.78%
	Asset-backed securities	177			Default rates	9.00%	10.00%	9.96%
					Prepayment rates	4.00%	8.00%	4.35%
					Recovery rates	40.00%	97.50%	91.66%
Corporate debt	Corporate debt and other debt	198		Price-based	Prices	\$ 47.61	\$ 164.29	\$ 96.57
	Loans	472		Discounted cash flows	Yields	2.98%	8.00%	3.89%
	Obligations related to securities sold short		-		Capitalization rates	6.07%	8.50%	7.28%
					Liquidity discounts (5)	n.a.	n.a.	n.a.
Government debt and municipal bonds	Canadian government debt	5		Price-based	Prices	\$ 64.98	\$ 126.22	\$ 84.50
	U.S. state, municipal and agencies debt	114		Discounted cash flows	Yields	0.27%	31.37%	3.89%
	Other OECD government debt	-						
	Corporate debt and other debt	1,750						
Bank funding and deposits	Deposits		-	Discounted cash flows	Funding spreads	n.a.	n.a.	n.a.
					Interest rate (IR)-IR correlations	n.a.	n.a.	n.a.
					Foreign exchange (FX)-FX correlations	n.a.	n.a.	n.a.
					FX-IR correlations	n.a.	n.a.	n.a.
Private equities, hedge fund investments and related equity derivatives	Equities	1,110		Market comparable	EV/EBITDA multiples	4.67X	15.50X	7.38X
	Derivative-related assets	3		Price-based	P/E multiples	9.40X	22.40X	12.14X
	Derivative-related liabilities		218	Discounted cash flows	EV/Rev multiples	0.28X	5.90X	2.64X
					Liquidity discounts (5)	15.00%	40.00%	27.34%
					Discount rate	12.00%	17.00%	16.46%
					Net asset values / prices (6)	n.a.	n.a.	n.a.
Derivative financial instruments								
Interest rate derivatives and interest-rate-linked structured notes (7)	Derivative-related assets	428		Discounted cash flows	Interest rates	2.25%	2.27%	Even
	Deposits		-	Option pricing model	CPI swap rates	1.67%	1.90%	Even
	Derivative-related liabilities		822		IR-IR correlations	19.00%	67.00%	Even
					FX-IR correlations	29.00%	56.00%	Even
					FX-FX correlations	68.00%	68.00%	Even
					IR volatilities (8)	0.11%	6.11%	Middle
Equity derivatives and equity-linked structured notes (7)	Derivative-related assets	559		Discounted cash flows	Dividend yields	0.01%	29.09%	Lower
	Deposits		389	Option pricing model	Equity (EQ)-EQ correlations	13.90%	96.90%	Middle
	Derivative-related liabilities		569		EQ-FX correlations	(69.10)%	29.20%	Middle
					EQ volatilities	1.70%	190.00%	Lower
Other (9)								
	Mortgage-backed securities	15						
	Corporate debt and other debt	-						
	Derivative-related assets	153						
	Deposits		8					
	Derivative-related liabilities		283					
	Other liabilities		47					
Total		\$ 5,731	\$ 2,336					

Note 3 Fair value of financial instruments (continued)

As at October 31, 2014 (Millions of Canadian dollars, except for prices, percentages and ratios)

Products	Reporting line in the fair value hierarchy table	Fair value		Valuation techniques	Significant unobservable inputs (1)	Range of input values (2), (3)		Weighted average / Inputs distribution (4)
		Assets	Liabilities			Low	High	
Non-derivative financial instruments								
Asset-backed securities								
	Asset-backed securities	\$ 478		Price-based Discounted cash flows	Prices	\$ 53.70	\$ 90.50	\$ 75.92
	Obligations related to securities sold short		\$ -		Discount margins	0.70%	9.48%	5.09%
					Yields	2.84%	5.36%	3.52%
					Default rates	1.00%	5.00%	2.00%
					Prepayment rates	15.00%	30.00%	20.00%
					Loss severity rates	30.00%	70.00%	50.00%
Auction rate securities								
	U.S. state, municipal and agencies debt	979		Discounted cash flows	Discount margins	1.32%	4.63%	2.26%
	Asset-backed securities	166			Default rates	9.00%	10.00%	9.80%
					Prepayment rates	4.00%	8.00%	4.76%
					Recovery rates	40.00%	97.50%	93.51%
Corporate debt								
	Corporate debt and other debt	100		Price-based	Prices	\$ 2.50	\$ 119.52	\$ 97.86
	Loans	461		Discounted cash flows	Yields	2.75%	7.50%	3.84%
	Obligations related to securities sold short		4		Capitalization rates	6.43%	9.47%	7.95%
					Liquidity discounts (5)	10.00%	10.00%	10.00%
Government debt and municipal bonds								
	Canadian government debt	-		Price-based	Prices	\$ 67.38	\$ 100.00	\$ 96.24
	U.S. state, municipal and agencies debt	416		Discounted cash flows	Yields	0.17%	30.15%	3.06%
	Other OECD government debt	11						
	Corporate debt and other debt	1,616						
Bank funding and deposits								
	Deposits		70	Discounted cash flows	Funding spreads	n.a.	n.a.	n.a.
					Interest rate (IR)-IR correlations	19.00%	67.00%	Even
					Foreign exchange (FX)-FX correlations	68.00%	68.00%	Even
					FX-IR correlations	29.00%	56.00%	Even
Private equities, hedge fund investments and related equity derivatives								
	Equities	1,194		Market comparable	EV/EBITDA multiples	4.00X	10.80X	8.73X
	Derivative-related assets	11		Price-based	P/E multiples	8.79X	15.70X	11.79X
	Derivative-related liabilities		434	Discounted cash flows	EV/Rev multiples	0.45X	7.50X	4.97X
					Liquidity discounts (5)	-%	50.00%	26.92%
					Discount rate	12.00%	17.00%	14.78%
					Net asset values / prices (6)	n.a.	n.a.	n.a.
Derivative financial instruments								
Interest rate derivatives and interest-rate-linked structured notes (7)								
	Derivative-related assets	348		Discounted cash flows	Interest rates	2.96%	2.98%	Even
	Deposits		-	Option pricing model	CPI swap rates	1.73%	2.30%	Even
	Derivative-related liabilities		732		IR-IR correlations	19.00%	67.00%	Even
					FX-IR correlations	29.00%	56.00%	Even
					FX-FX correlations	68.00%	68.00%	Even
					IR volatilities (8)	26.28%	28.28%	Even
Equity derivatives and equity-linked structured notes (7)								
	Derivative-related assets	442		Discounted cash flows	Dividend yields	0.04%	18.11%	Lower
	Deposits		497	Option pricing model	Equity (EQ)-EQ correlations	0.50%	97.20%	Middle
	Derivative-related liabilities		529		EQ-FX correlations	(72.80)%	53.20%	Middle
					EQ volatilities	1.00%	172.00%	Lower
Other (9)								
	Mortgage-backed securities	4						
	Corporate debt and other debt	6						
	Derivative-related assets	100						
	Deposits		-					
	Derivative-related liabilities		159					
	Other liabilities		20					
Total		\$ 6,332	\$ 2,445					

(1) The acronyms stand for the following: (i) Enterprise Value (EV); (ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA); (iii) Price / Earnings (P/E); (iv) Revenue (Rev); and (v) Consumer Price Index (CPI).

(2) The low and high input values represent the actual highest and lowest level inputs used to value a group of financial instruments in a particular product category. These input ranges do not reflect the level of input uncertainty, but are affected by the different underlying instruments within the product category. The input ranges will therefore vary from period to period based on the characteristics of the underlying instruments held at each balance sheet date. Where provided, the weighted average of the input values is calculated based on the relative fair values of the instruments within the product category. The weighted averages for derivatives are not presented in the table as they would not provide a comparable metric; instead, distribution of significant unobservable inputs within the range for each product category is indicated in the table.

(3) Price-based inputs are significant for certain debt securities and are based on external benchmarks, comparable proxy instruments or pre-quarter-end trade data. For these instruments, the price input is expressed in dollars for each \$100 par value. For example, with an input price of \$105, an instrument is valued at a premium over its par value.

(4) The level of aggregation and diversity within each derivative instrument category may result in certain ranges of inputs being wide and inputs being unevenly distributed across the range. In the table, we indicated whether the majority of the inputs are concentrated toward the upper, middle, or lower end of the range, or evenly distributed throughout the range.

(5) Fair value of securities with liquidity discount inputs totalled \$131 million (October 31, 2014 - \$211 million).

(6) Net asset values (NAV) of a hedge fund is total fair value of assets less liabilities divided by the number of fund units. The NAV of the funds and the corresponding equity derivatives referenced to NAV are not considered observable as we cannot redeem certain of these hedge funds at NAV prior to the next quarter end. Private equities are valued based on NAV or valuation techniques. The range for NAV per unit or price per share has not been disclosed for the hedge funds or private equities due to the dispersion of prices given the diverse nature of the investments.

(7) The structured notes contain embedded equity or interest rate derivatives with unobservable inputs that are similar to those of the equity or interest rate derivatives.

(8) The reduction in the range of volatility inputs as at October 31, 2015 as compared to prior periods is due to the implementation of a valuation model which uses a different input convention.

(9) Other primarily includes certain insignificant instruments such as commodity derivatives, foreign exchange derivatives, credit derivatives, bank-owned life insurance and Bank funding and deposits.

n.a. not applicable

Sensitivity to unobservable inputs and interrelationships between unobservable inputs

Yield, credit spreads/discount margins

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

Funding spread

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

Default rates

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

Prepayment rates

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

Recovery and loss severity rates

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

Capitalization rates

A capitalization rate is a rate of return on a real estate property investment calculated by dividing a property's income by the property's value. A lower capitalization rate increases the property value, and vice versa.

Volatility rates

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

Dividend yields

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

Correlation rates

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

Interest rates

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

Consumer Price Index swap rates

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

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

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

Interrelationships between unobservable inputs

Unobservable inputs of ARS, including the above discount margin, default rate, prepayment rate, recovery and loss severity rates, may not be independent of each other. The discount margin of ARS can be affected by a change in default rate, prepayment rate, or recovery and loss severity rates. Discount margins will generally decrease when default rates decline or when recovery rates increase. Prepayments may cause fair value to either increase or decrease.

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

The following tables present the changes in fair value measurements on a recurring basis for instruments included in Level 3 of the fair value hierarchy.

	For the year ended October 31, 2015								Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year ended October 31, 2015 for positions still held
	Fair value November 1, 2014	Total realized/unrealized gains (losses) included in earnings	Total unrealized gains (losses) included in other comprehensive income (1)	Purchases of assets/ issuances of liabilities	Sales of assets/ settlements of liabilities and other (2)	Transfers into Level 3	Transfers out of Level 3	Fair value October 31, 2015	
<i>(Millions of Canadian dollars)</i>									
Assets									
Securities									
Trading									
Canadian government debt									
Provincial and municipal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ 5	\$ -
U.S. state, municipal and agencies debt	6	(1)	1	40	(30)	-	-	16	-
Other OECD government debt	-	-	-	-	-	20	(20)	-	-
Mortgage-backed securities	4	(4)	-	25	(27)	30	(13)	15	-
Asset-backed securities									
CDO	74	24	(18)	102	(146)	13	(44)	5	-
Non-CDO securities	364	(7)	47	137	(345)	24	(197)	23	(2)
Corporate debt and other debt	149	(1)	5	93	(143)	211	(123)	191	-
Equities	166	(29)	24	16	(75)	45	(24)	123	(28)
	763	(18)	59	413	(766)	348	(421)	378	(30)
Available-for-sale									
U.S. state, municipal and agencies debt	1,389	7	157	136	(846)	-	(46)	797	n.a.
Other OECD government debt	11	-	-	4	(2)	-	(13)	-	n.a.
Asset-backed securities									
CDO	24	-	3	30	-	-	(57)	-	n.a.
Non-CDO securities	182	(1)	40	-	(24)	-	-	197	n.a.
Corporate debt and other debt	1,573	-	246	2,524	(2,586)	37	(37)	1,757	n.a.
Equities	1,028	105	65	52	(225)	17	(55)	987	n.a.
	4,207	111	511	2,746	(3,683)	54	(208)	3,738	n.a.
Loans – Wholesale	461	(8)	47	605	(547)	1	(87)	472	-
Other									
Net derivative balances (3)									
Interest rate contracts	(370)	(89)	(2)	37	(7)	(11)	(4)	(446)	(15)
Foreign exchange contracts	9	46	6	34	(7)	7	(37)	58	36
Credit derivatives	(5)	(15)	(1)	-	19	(1)	2	(1)	(3)
Other contracts	(502)	(113)	(77)	28	216	(98)	233	(313)	124
Valuation adjustments	(85)	(3)	(2)	1	45	(3)	-	(47)	-
Other assets	-	-	-	-	-	-	-	-	-
	\$ 4,478	\$ (89)	\$ 541	\$ 3,864	\$ (4,730)	\$ 297	\$ (522)	\$ 3,839	\$ 112
Liabilities									
Deposits									
Personal	\$ (497)	\$ 73	\$ (41)	\$ (545)	\$ 88	\$ (376)	\$ 909	\$ (389)	\$ 45
Business and government	(70)	(5)	1	(78)	51	-	93	(8)	-
Other									
Obligations related to securities sold short	(4)	-	-	(11)	15	(1)	1	-	-
Other liabilities	(20)	(28)	(5)	-	6	-	-	(47)	(22)
Subordinated debentures	-	-	-	-	-	-	-	-	-
	\$ (591)	\$ 40	\$ (45)	\$ (634)	\$ 160	\$ (377)	\$ 1,003	\$ (444)	\$ 23

(Millions of Canadian dollars)	Fair value November 1, 2013	Total realized/ unrealized gains (losses) included in earnings	Total unrealized gains (losses) included in other comprehensive income (1)	Purchases of assets/ issuances of liabilities	Sales of assets/ settlements of liabilities and other (2)	Transfers into Level 3	Transfers out of Level 3	Fair value October 31, 2014	Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year ended October 31, 2014 for positions still held
Assets									
Securities									
Trading									
Canadian government debt									
Provincial and municipal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. state, municipal and agencies debt	22	-	2	47	(61)	5	(9)	6	1
Other OECD government debt	370	-	(4)	-	-	-	(366)	-	-
Mortgage-backed securities	28	(3)	2	90	(83)	1	(31)	4	-
Asset-backed securities									
CDO	31	15	(9)	130	(85)	7	(15)	74	2
Non-CDO securities	260	(2)	20	2,083	(1,984)	16	(29)	364	(5)
Corporate debt and other debt	415	(2)	27	263	(487)	20	(87)	149	-
Equities	183	1	14	84	(77)	22	(61)	166	-
	1,309	9	52	2,697	(2,777)	71	(598)	763	(2)
Available-for-sale									
U.S. state, municipal and agencies debt	2,014	-	240	-	(856)	-	(9)	1,389	n.a.
Other OECD government debt	-	-	-	1	10	-	-	11	n.a.
Asset-backed securities									
CDO	103	-	9	-	(36)	24	(76)	24	n.a.
Non-CDO securities	180	(4)	23	-	(17)	-	-	182	n.a.
Corporate debt and other debt	1,673	-	130	1,760	(1,921)	-	(69)	1,573	n.a.
Equities	969	120	120	47	(228)	-	-	1,028	n.a.
	4,939	116	522	1,808	(3,048)	24	(154)	4,207	n.a.
Loans – Wholesale	414	3	32	31	(19)	-	-	461	(22)
Other									
Net derivative balances (3)									
Interest rate contracts	(458)	(100)	(2)	31	(13)	94	78	(370)	(108)
Foreign exchange contracts	(117)	(28)	3	3	-	2	146	9	(18)
Credit derivatives	(5)	(31)	(2)	-	33	-	-	(5)	(5)
Other contracts	(869)	43	(54)	(103)	93	(169)	557	(502)	20
Valuation adjustments	(105)	15	(1)	-	(73)	-	79	(85)	4
Other assets	11	-	-	-	-	-	(11)	-	-
	\$ 5,119	\$ 27	\$ 550	\$ 4,467	\$ (5,804)	\$ 22	\$ 97	\$ 4,478	\$ (131)
Liabilities									
Deposits									
Personal	\$ (1,043)	\$ 11	\$ (54)	\$ (560)	\$ 184	\$ (299)	\$ 1,264	\$ (497)	\$ 20
Business and government	(3,933)	(184)	(180)	(1,551)	265	-	5,513	(70)	(7)
Other									
Obligations related to securities sold short	(16)	1	(1)	(198)	202	-	8	(4)	-
Other liabilities	(3)	29	-	-	(50)	-	4	(20)	(22)
Subordinated debentures	(109)	-	(3)	-	-	-	112	-	-
	\$ (5,104)	\$ (143)	\$ (238)	\$ (2,309)	\$ 601	\$ (299)	\$ 6,901	\$ (591)	\$ (9)

(1) These amounts include the foreign currency translation gains or losses arising on consolidation of foreign subsidiaries relating to the Level 3 instruments, where applicable. The unrealized losses on AFS securities recognized in OCI were \$5 million for the year ended October 31, 2015 (October 31, 2014 – gains of \$152 million), excluding the translation gains or losses arising on consolidation.

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

(3) Net derivatives as at October 31, 2015 included derivative assets of \$1,143 million (October 31, 2014 – \$901 million) and derivative liabilities of \$1,892 million (October 31, 2014 – \$1,854 million).

n.a. not applicable

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

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

Transfers between Level 1 and Level 2 are dependent on whether fair value is obtained on the basis of quoted market prices in active markets (Level 1) as opposed to fair value estimated using observable inputs in a discounted cash flow method (Level 2). The following transfers occurred for the year ended October 31, 2015:

- From Level 1 to 2: \$284 million of Trading Canadian government debt (October 31, 2014 – \$nil); \$1,988 million of Trading and AFS U.S. state, municipal and agencies debt (October 31, 2014 – \$1,905 million); and \$641 million of Obligations related to securities sold short (October 31, 2014 – \$1,027 million).
- From Level 2 to 1: \$128 million of Trading Canadian government debt; \$331 million of Trading U.S. state, municipal and agencies debt; \$840 million of Trading and AFS Equities; \$412 million of AFS Other OECD government debt; and \$61 million of Obligations related to securities sold short. There were no similar levelling changes in 2014.

During the year ended October 31, 2015, significant transfers into and out of Level 3 occurred due to changes in the observability of inputs and included:

- From Level 2 to 3 (decreased observability): \$211 million of corporate bonds in Trading Corporate debt and other debt.
- From Level 3 to 2 (increased observability): (i) \$201 million of net OTC equity options in Other contracts; (ii) \$197 million of collateralized loan obligations in Trading Non-CDO securities; and (iii) \$123 million of corporate bonds in Trading Corporate debt and other debt.

During the year ended October 31, 2015, significant transfers into and out of Level 3 also occurred as a result of changes in the significance of unobservable inputs on the fair value of instruments as follows:

- From Level 2 to 3 (significant impact): \$314 million of equity-linked structured notes in Personal deposits.
- From Level 3 to 2 (no significant impact): \$909 million of equity-linked structured notes in Personal deposits.

During the year ended October 31, 2014, significant transfers into and out of Level 3 occurred due to changes in the observability of inputs and included:

- From Level 2 to 3 (decreased observability): \$139 million of equity-linked structured notes in Personal deposits.
- From Level 3 to 2 (increased observability): (i) \$366 million of Other OECD government debt; (ii) \$112 million of net Interest rate contracts; (iii) \$149 million of net Foreign exchange contracts; (iv) \$515 million of net Other contracts; (v) \$185 million of equity-linked structured notes in Personal deposits; and (vi) \$5,494 million of Business and government deposits.

During the year ended October 31, 2014, significant transfers into and out of Level 3 also occurred as a result of changes in the significance of unobservable inputs on the fair value of instruments as follows:

- From Level 3 to 2 (no significant impact): \$1,071 million of equity-linked structured notes in Personal deposits.

Total gains or losses of level 3 instruments recognized in earnings

	For the year ended October 31, 2015					
	Total realized/unrealized gains (losses) included in earnings			Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year for positions still held		
	Assets	Liabilities	Total	Assets	Liabilities	Total
(Millions of Canadian dollars)						
Non-interest income						
Insurance premiums, investment and fee income	\$ (1)	\$ –	\$ (1)	\$ –	\$ –	\$ –
Trading revenue	461	(605)	(144)	283	(145)	138
Net gains on available-for-sale securities	111	–	111	–	–	–
Credit fees and Other	(3)	(12)	(15)	(3)	–	(3)
	\$ 568	\$ (617)	\$ (49)	\$ 280	\$ (145)	\$ 135
	For the year ended October 31, 2014					
	Total realized/unrealized gains (losses) included in earnings			Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year for positions still held		
	Assets	Liabilities	Total	Assets	Liabilities	Total
(Millions of Canadian dollars)						
Non-interest income						
Insurance premiums, investment and fee income	\$ 1	\$ –	\$ 1	\$ –	\$ –	\$ –
Trading revenue	686	(882)	(196)	136	(208)	(72)
Net gains on available-for-sale securities	115	–	115	–	–	–
Credit fees and Other	(3)	(33)	(36)	11	(79)	(68)
	\$ 799	\$ (915)	\$ (116)	\$ 147	\$ (287)	\$ (140)

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

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

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

(Millions of Canadian dollars)	As at					
	October 31, 2015			October 31, 2014		
	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives
Securities						
Trading						
Canadian government debt						
Provincial and municipal	\$ 5	\$ –	\$ –	\$ –	\$ –	\$ –
U.S. state, municipal and agencies debt	16	1	(1)	6	–	–
Mortgage-backed securities	15	1	(1)	4	1	(1)
Asset-backed securities	28	2	(3)	438	10	(14)
Corporate debt and other debt	191	2	(2)	149	2	(2)
Equities	123	–	–	166	–	–
Available-for-sale						
U.S. state, municipal and agencies debt	797	12	(36)	1,389	23	(57)
Other OECD government debt	–	–	–	11	–	–
Asset-backed securities	197	11	(16)	206	12	(18)
Corporate debt and other debt	1,757	11	(11)	1,573	12	(10)
Equities	987	76	(33)	1,028	92	(23)
Loans	472	8	(23)	461	12	(11)
Derivatives	1,143	16	(10)	901	23	(21)
	\$ 5,731	\$ 140	\$ (136)	\$ 6,332	\$ 187	\$ (157)
Deposits	\$ (397)	\$ 13	\$ (13)	\$ (567)	\$ 14	\$ (14)
Derivatives	(1,892)	33	(43)	(1,854)	38	(59)
Other						
Securities sold short, other liabilities and subordinated debentures	(47)	–	–	(24)	–	–
	\$ (2,336)	\$ 46	\$ (56)	\$ (2,445)	\$ 52	\$ (73)

Sensitivity results

As at October 31, 2015, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of \$140 million and a reduction of \$136 million in fair value, of which \$110 million and \$87 million would be recorded in Other components of equity, respectively. The effects of applying these assumptions to the Level 3 liability positions would result in a decrease of \$46 million and an increase of \$56 million in fair value.

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

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

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting, plus or minus one standard deviation, the bid-offer spreads or input prices if a sufficient number of prices is received, or using high and low vendor prices as reasonably possible alternative assumptions.
Auction rate securities	Sensitivity of ARS is determined by decreasing the discount margin between 9% and 15% and increasing the discount margin between 18% and 30%, depending on the specific reasonable range of fair value uncertainty for each particular financial instrument's market. Changes to the discount margin reflect historical monthly movements in the student loan asset-backed securities market.
Private equities, hedge fund investments and related equity derivatives	Sensitivity of direct private equity investments is determined by (i) adjusting the discount rate by 2% when discounted cash flow method is used to determine fair value, (ii) adjusting the price multiples based on the range of multiples of comparable companies when price-based models are used, or (iii) using an alternative valuation approach. Net asset values of the private equity funds, hedge funds and related equity derivatives are provided by the fund managers, and as a result, there are no other reasonably possible alternative assumptions for these investments.
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of the inputs, and an amount based on model and parameter uncertainty, where applicable.
Equity derivatives	Sensitivity of the Level 3 position is determined by shifting the unobservable model inputs by plus or minus one standard deviation of the pricing service market data including volatility, dividends or correlations, as applicable.
Bank funding and deposits	Sensitivities of deposits are calculated by shifting the funding curve by plus or minus certain basis points.
Structured notes	Sensitivities for interest-rate-linked and equity-linked structured notes are derived by adjusting inputs by plus or minus one standard deviation, and for other deposits, by estimating a reasonable move in the funding curve by plus or minus certain basis points.

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

The following tables present fair values of financial instruments that are carried at amortized cost and classified by the fair value hierarchy.

	As at October 31, 2015					
	Fair value always approximates carrying value (1)	Fair value may not approximate carrying value				Total fair value
		Fair value measurements using			Total	
(Millions of Canadian dollars)		Level 1	Level 2	Level 3		
Held-to-maturity securities (2)	\$ –	\$ 2	\$ 8,750	\$ 7	\$ 8,759	\$ 8,759
Assets purchased under reverse repurchase agreements and securities borrowed	39,587	–	20,484	–	20,484	60,071
Loans						
Retail	67,330	–	276,661	4,522	281,183	348,513
Wholesale	5,525	–	110,816	4,975	115,791	121,316
	72,855	–	387,477	9,497	396,974	469,829
Other assets	43,889	–	583	380	963	44,852
	156,331	2	417,294	9,884	427,180	583,511
Deposits						
Personal	148,570	–	54,400	1,049	55,449	204,019
Business and government	197,435	–	164,415	1,455	165,870	363,305
Bank	10,538	–	5,107	68	5,175	15,713
	356,543	–	223,922	2,572	226,494	583,037
Obligations related to assets sold under repurchase agreements and securities loaned	9,095	–	833	–	833	9,928
Other liabilities	38,344	–	381	4,471	4,852	43,196
Subordinated debentures	–	–	7,022	56	7,078	7,078
	\$ 403,982	\$ –	\$ 232,158	\$ 7,099	\$ 239,257	\$ 643,239

	As at October 31, 2014					
	Fair value always approximates carrying value (1)	Fair value may not approximate carrying value				Total fair value
		Fair value measurements using			Total	
(Millions of Canadian dollars)		Level 1	Level 2	Level 3		
Held-to-maturity securities (2)	\$ –	\$ 5	\$ 1,522	\$ 235	\$ 1,762	\$ 1,762
Assets purchased under reverse repurchase agreements and securities borrowed	29,198	–	21,090	–	21,090	50,288
Loans						
Retail	65,766	–	264,335	4,374	268,709	334,475
Wholesale	5,603	–	89,643	3,215	92,858	98,461
	71,369	–	353,978	7,589	361,567	432,936
Other assets	28,224	–	4,546	205	4,751	32,975
	128,791	5	381,136	8,029	389,170	517,961
Deposits						
Personal	139,209	–	55,924	831	56,755	195,964
Business and government	176,555	–	150,827	946	151,773	328,328
Bank	9,659	–	1,915	62	1,977	11,636
	325,423	–	208,666	1,839	210,505	535,928
Obligations related to assets sold under repurchase agreements and securities loaned	5,419	–	502	–	502	5,921
Other liabilities	27,280	–	5,699	3,783	9,482	36,762
Subordinated debentures	–	–	7,657	55	7,712	7,712
	\$ 358,122	\$ –	\$ 222,524	\$ 5,677	\$ 228,201	\$ 586,323

(1) Certain financial instruments have not been assigned to a level as the carrying amount always approximates their fair values due to the short-term nature (instruments that are receivable or payable on demand, or with original maturity of three months or less) and insignificant credit risk.

(2) Included in Securities – Available-for-sale on the Consolidated Balance Sheets.

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

Held-to-maturity securities

Fair values of Canadian Federal and OECD government bonds, and corporate bonds are based on quoted prices. Fair values of certain Non-OECD government bonds are based on vendor prices or the discounted cash flow method with yield curves of other countries' government bonds as inputs.

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

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

Loans – Retail

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

Loans – Wholesale

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

Deposits

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

Other assets and Other liabilities

Other assets and Other liabilities include receivables and payables relating to certain commodities and option premiums. Fair values of the commodity receivables and payables are calculated by the discounted cash flow method using applicable inputs such as market interest rates, counterparties' credit spreads, our funding spreads, commodity forward prices and spot prices. The option premium receivables and payables are valued by the discounted cash flow models using market interest rates as inputs.

Subordinated debentures

Fair values of Subordinated debentures are based on recent transaction prices.

Carrying value of securities

The following table presents the contractual maturities of the carrying values of financial instruments held at the end of the period:

	As at October 31, 2015						
	Term to maturity (1)					With no specific maturity	Total
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years		
(Millions of Canadian dollars)							
Trading (2)							
Canadian government debt	\$ 2,310	\$ 9,737	\$ 9,755	\$ 3,618	\$ 8,630	\$ –	\$ 34,050
U.S. state, municipal and agencies debt	1,450	12,867	7,906	3,056	9,176	–	34,455
Other OECD government debt	2,237	4,373	4,402	941	393	–	12,346
Mortgage-backed securities	–	20	42	33	2,827	–	2,922
Asset-backed securities (3)	90	64	263	846	468	–	1,731
Corporate debt and other debt							
Bankers' acceptances	104	1	–	–	–	–	105
Certificates of deposit	59	329	38	12	18	–	456
Other (4)	1,414	2,866	14,318	1,836	3,714	–	24,148
Equities	–	–	–	–	–	48,490	48,490
	7,664	30,257	36,724	10,342	25,226	48,490	158,703
Available-for-sale (2)							
Canadian government debt							
Federal							
Amortized cost	251	572	1,603	68	47	–	2,541
Fair value	251	574	1,605	68	46	–	2,544
Yield (5)	0.4%	0.9%	1.3%	2.9%	4.3%	–	1.2%
Provincial and municipal							
Amortized cost	–	11	1,271	64	253	–	1,599
Fair value	–	11	1,274	64	251	–	1,600
Yield (5)	–	3.3%	1.8%	3.1%	4.2%	–	2.2%
U.S. state, municipal and agencies debt							
Amortized cost	379	2,563	161	304	9,533	–	12,940
Fair value	379	2,563	154	302	9,450	–	12,848
Yield (5)	0.2%	0.6%	5.7%	1.6%	2.3%	–	1.9%
Other OECD government debt							
Amortized cost	3,946	503	7,491	338	–	–	12,278
Fair value	3,947	503	7,501	336	–	–	12,287
Yield (5)	0.0%	1.2%	1.0%	2.2%	–	–	0.7%
Mortgage-backed securities							
Amortized cost	–	–	57	–	258	–	315
Fair value	–	–	57	–	261	–	318
Yield (5)	–	–	1.8%	–	1.9%	–	1.9%
Asset-backed securities							
Amortized cost	–	6	644	702	1,291	–	2,643
Fair value	–	6	650	710	1,222	–	2,588
Yield (5)	–	2.2%	0.6%	0.9%	1.7%	–	1.2%
Corporate debt and other debt							
Amortized cost	1,164	1,603	10,545	369	490	–	14,171
Fair value	1,163	1,601	10,516	369	480	–	14,129
Yield (5)	1.2%	1.9%	1.7%	3.9%	4.4%	–	1.8%
Equities							
Cost	–	–	–	–	–	1,457	1,457
Fair value	–	–	–	–	–	1,756	1,756
Loan substitute securities							
Cost	–	–	–	–	–	95	95
Fair value	–	–	–	–	–	94	94
Yield (5)	–	–	–	–	–	5.1%	5.1%
Amortized cost	5,740	5,258	21,772	1,845	11,872	1,552	48,039
Fair value	5,740	5,258	21,757	1,849	11,710	1,850	48,164
Held-to-maturity (2)							
Amortized cost	889	334	3,175	4,133	110	–	8,641
Fair value	889	334	3,189	4,239	108	–	8,759
Total carrying value of securities (2)	\$14,293	\$ 35,849	\$61,656	\$ 16,324	\$37,046	\$50,340	\$215,508

As at October 31, 2014

(Millions of Canadian dollars)	Term to maturity (1)					With no specific maturity	Total
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years		
Trading (2)							
Canadian government debt	\$ 3,050	\$ 6,651	\$ 7,594	\$ 2,232	\$ 5,987	\$ –	\$ 25,514
U.S. state, municipal and agencies debt	3,272	6,811	7,109	5,678	6,602	–	29,472
Other OECD government debt	1,637	3,205	6,223	1,594	2,666	–	15,325
Mortgage-backed securities	–	1	57	163	584	–	805
Asset-backed securities (3)	56	66	330	375	688	–	1,515
Corporate debt and other debt							
Bankers' acceptances	754	8	–	–	–	–	762
Certificates of deposit	17	342	574	30	17	–	980
Other (4)	470	5,501	13,093	3,004	3,788	–	25,856
Equities	–	–	–	–	–	51,151	51,151
	9,256	22,585	34,980	13,076	20,332	51,151	151,380
Available-for-sale (2)							
Canadian government debt							
Federal							
Amortized cost	626	615	8,195	2,197	–	–	11,633
Fair value	627	619	8,356	2,367	–	–	11,969
Yield (5)	1.8%	2.8%	2.2%	3.3%	–	–	2.4%
Provincial and municipal							
Amortized cost	–	–	644	130	18	–	792
Fair value	–	–	648	131	20	–	799
Yield (5)	–	–	2.4%	2.9%	4.9%	–	2.5%
U.S. state, municipal and agencies debt							
Amortized cost	108	385	80	213	5,544	–	6,330
Fair value	108	383	81	213	5,472	–	6,257
Yield (5)	0.0%	8.5%	0.7%	0.4%	0.7%	–	1.1%
Other OECD government debt							
Amortized cost	5,663	2,138	6,357	117	–	–	14,275
Fair value	5,663	2,139	6,374	117	–	–	14,293
Yield (5)	0.1%	0.2%	0.9%	0.4%	–	–	0.5%
Mortgage-backed securities							
Amortized cost	–	–	–	17	116	–	133
Fair value	–	–	–	17	121	–	138
Yield (5)	–	–	–	3.0%	1.8%	–	2.0%
Asset-backed securities							
Amortized cost	–	–	381	833	277	–	1,491
Fair value	–	–	387	849	208	–	1,444
Yield (5)	–	–	0.6%	0.5%	1.0%	–	0.6%
Corporate debt and other debt							
Amortized cost	1,625	822	5,820	727	255	–	9,249
Fair value	1,628	823	5,840	739	257	–	9,287
Yield (5)	1.1%	2.0%	1.6%	2.0%	4.2%	–	1.7%
Equities							
Cost	–	–	–	–	–	1,333	1,333
Fair value	–	–	–	–	–	1,696	1,696
Loan substitute securities							
Cost	–	–	–	–	–	124	124
Fair value	–	–	–	–	–	126	126
Yield (5)	–	–	–	–	–	3.9%	3.9%
Amortized cost	8,022	3,960	21,477	4,234	6,210	1,457	45,360
Fair value	8,026	3,964	21,686	4,433	6,078	1,822	46,009
Held-to-maturity (2)							
Amortized cost	163	110	38	1,448	–	–	1,759
Fair value	163	110	40	1,449	–	–	1,762
Total carrying value of securities (2)	\$17,445	\$ 26,659	\$56,704	\$ 18,957	\$26,410	\$52,973	\$199,148

(1) Actual maturities may differ from contractual maturities shown above since borrowers may have the right to prepay obligations with or without prepayment penalties.

(2) Trading securities and AFS securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost.

(3) Includes CDO which are presented as Asset-backed securities – CDO in the table entitled Fair value of assets and liabilities measured on a recurring basis and classified using the fair value hierarchy in Note 3.

(4) Primarily composed of corporate debt, supra-national debt, and commercial paper.

(5) The weighted average yield is derived using the contractual interest rate and the carrying value at the end of the year for the respective securities.

Unrealized gains and losses on available-for-sale securities ^{(1), (2)}

(Millions of Canadian dollars)	As at							
	October 31, 2015				October 31, 2014			
	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Canadian government debt								
Federal	\$ 2,541	\$ 7	\$ (4)	\$ 2,544	\$ 11,633	\$ 338	\$ (2)	\$ 11,969
Provincial and municipal	1,599	8	(7)	1,600	792	8	(1)	799
U.S. state, municipal and agencies debt ⁽³⁾	12,940	14	(106)	12,848	6,330	9	(82)	6,257
Other OECD government debt	12,278	24	(15)	12,287	14,275	19	(1)	14,293
Mortgage-backed securities	315	4	(1)	318	133	5	–	138
Asset-backed securities								
CDO	1,506	12	(8)	1,510	857	26	(2)	881
Non-CDO securities	1,137	7	(66)	1,078	634	5	(76)	563
Corporate debt and other debt	14,171	39	(81)	14,129	9,249	49	(11)	9,287
Equities	1,457	314	(15)	1,756	1,333	369	(6)	1,696
Loan substitute securities	95	–	(1)	94	124	2	–	126
	\$ 48,039	\$ 429	\$ (304)	\$48,164	\$ 45,360	\$ 830	\$ (181)	\$46,009

(1) Excludes \$8,641 million of held-to-maturity securities as at October 31, 2015 (October 31, 2014 – \$1,759 million) that are carried at amortized cost.

(2) The majority of the mortgage-backed securities (MBS) are residential. Cost/Amortized cost, gross unrealized gains, gross unrealized losses and fair value related to commercial MBS are \$243 million, \$nil, \$1 million and \$242 million, respectively as at October 31, 2015 (October 31, 2014 – \$33 million, \$1 million, \$nil, and \$34 million).

(3) Includes securities issued by U.S. non-agencies backed by government insured assets, MBS and asset-backed securities issued by U.S. government agencies.

AFS securities are assessed for objective evidence of impairment at each reporting date and more frequently when conditions warrant. Depending on the nature of the securities under review, we apply specific methodologies to assess whether the cost/amortized cost of the security would be recovered. As at October 31, 2015, our gross unrealized losses on AFS securities were \$304 million (October 31, 2014 – \$181 million). Management believes that there is no objective evidence of impairment on our AFS securities that are in an unrealized loss position as at October 31, 2015.

The decrease in cost/amortized cost, gross unrealized gains and fair value of Canadian Federal government debt as compared to October 31, 2014 is primarily due to the reclassification of financial instruments as described below.

Net gains and losses on available-for-sale securities ⁽¹⁾

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Realized gains	\$ 218	\$ 232	\$ 231
Realized losses	(20)	(15)	(17)
Impairment losses	(53)	(25)	(26)
	\$ 145	\$ 192	\$ 188

(1) The following related to our insurance operations are excluded from Net gains on AFS securities and included in Insurance premiums, investment and fee income in the Consolidated Statements of Income for the year ended October 31, 2015: Realized gains of \$22 million (October 31, 2014 – \$12 million; October 31, 2013 – \$3 million) and \$6 million in impairment losses related to our insurance operations (October 31, 2014 – \$nil; October 31, 2013 – \$nil). There were no realized losses for the year ended October 31, 2015 (October 31, 2014 – \$1 million; October 31, 2013 – \$nil).

During the year ended October 31, 2015, \$145 million of net gains were recognized in Non-interest income as compared to \$192 million in the prior year. The current year reflects net realized gains of \$198 million mainly comprised of distributions from, and gains on sales of certain Equities. Also included in the net gains are \$53 million of impairment losses primarily on certain Equities and Loan substitute securities. This compares to net realized gains for the year ended October 31, 2014 of \$217 million which was partially offset by \$25 million of impairment losses.

Held-to-maturity securities

Held-to-maturity securities measured at amortized cost are subject to periodic impairment review and are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. The impairment review of held-to-maturity securities is primarily based on the impairment model for loans. Management believes that there is no objective evidence of impairment on our held-to-maturity securities as at October 31, 2015.

Reclassification of financial instruments

On October 1, 2015, we reclassified certain debt securities from AFS to loans and receivables and from AFS to held-to-maturity with carrying amounts of \$4,132 million and \$5,240 million, respectively, as a result of a change in our intention to hold these securities until the foreseeable future or maturity. These debt securities were previously measured at fair value, with the increase in fair value recognized as part of the carrying amount (fair value premium) and in OCI. Upon reclassification, the previous carrying amount of these AFS securities became the new amortized cost of the loans and receivables and held-to-maturity securities. The net unrealized gains in Other components of equity at the reclassification date will be amortized to Net interest income over the remaining life of the reclassified securities using the effective interest method and this amortization will be offset by the amortization of the fair value premium of these securities.

On the date of reclassification, the debt securities reclassified to loans and receivables and held-to-maturity had weighted average effective interest rates of 1.67% and 3.13%, respectively, with estimated cash flows expected to be recovered, on an undiscounted basis, of \$4,270 million and \$5,487 million, respectively. As at October 31, 2015, the fair value and carrying value of the securities reclassified to loans and receivables were \$4,078 million and \$4,083 million, respectively, and the fair value and carrying value of the securities reclassified to held-to-maturity were \$5,231 million and \$5,231 million, respectively.

The following table provides information regarding debt securities that we reclassified in the current reporting period:

Financial instruments reclassified in the current period

	For the year ended	
	October 31, 2015	
	Unrealized gains (losses) during the period	Interest income/gains (losses) recognized in net income during the period (1)
(Millions of Canadian dollars)		
Available-for-sale securities reclassified to loans and receivables		
Canadian government debt – Federal (2)	\$ 21	\$ 83
Available-for-sale securities reclassified to held-to-maturity		
Canadian government debt – Federal (3)	48	159
	\$ 69	\$ 242

- (1) Includes amortization of net unrealized gains associated with reclassified assets that were included in Other components of equity on the date of reclassification.
- (2) The change in fair value of these debt securities recorded in OCI for the year ended October 31, 2015 was an unrealized gain of \$29 million (October 31, 2014 – unrealized gain of \$9 million, October 31, 2013 – unrealized gain of \$9 million). Unrealized losses of \$8 million would also have been recognized in OCI for the year ended October 31, 2015, had these debt securities not been reclassified.
- (3) The change in fair value of these debt securities recorded in OCI for the year ended October 31, 2015 was an unrealized gain of \$57 million (October 31, 2014 – unrealized gain of \$13 million, October 31, 2013 – unrealized loss of \$140 million). Unrealized losses of \$9 million would also have been recognized in OCI for the year ended October 31, 2015, had these debt securities not been reclassified.

The following table provides information regarding certain debt securities that we reclassified in the prior reporting period:

Financial instruments reclassified in prior periods

	As at	
	October 31 2015	October 31 2014
	Total carrying value and fair value	Total carrying value and fair value
(Millions of Canadian dollars)		
Financial assets – FVTPL reclassified to available-for-sale (1)		
CDO	\$ 561	\$ 751
Mortgage-backed securities	19	44
	\$ 580	\$ 795

- (1) On October 1, 2011 and November 1, 2011, we reclassified \$1,872 million and \$255 million, respectively, of certain CDO and U.S. non-agency MBS from classified as at FVTPL to AFS.

	For the year ended					
	October 31, 2015		October 31, 2014		October 31, 2013	
	Unrealized gains (losses) during the period (1)	Interest income/gains (losses) recognized in net income during the period	Unrealized gains (losses) during the period (1)	Interest income/gains (losses) recognized in net income during the period	Unrealized gains (losses) during the period (1)	Interest income/gains (losses) recognized in net income during the period
(Millions of Canadian dollars)						
FVTPL reclassified to available-for-sale						
CDO	\$ (17)	\$ 28	\$ (29)	\$ 58	\$ (5)	\$ 59
Mortgage-backed securities	–	2	(2)	4	–	8
	\$ (17)	\$ 30	\$ (31)	\$ 62	\$ (5)	\$ 67

- (1) This change represents the fair value gains or losses that would have been recognized in profit or loss had the assets not been reclassified.

(Millions of Canadian dollars)	As at							
	October 31, 2015				October 31, 2014			
	Canada	United States	Other International	Total	Canada	United States	Other International	Total
Retail (1)								
Residential mortgages	\$ 229,987	\$ 772	\$ 3,216	\$ 233,975	\$ 215,624	\$ 539	\$ 3,094	\$ 219,257
Personal	84,637	4,623	5,086	94,346	86,984	4,082	4,955	96,021
Credit cards	15,516	89	254	15,859	14,650	65	209	14,924
Small business (2)	4,003	–	–	4,003	4,067	–	–	4,067
	334,143	5,484	8,556	348,183	321,325	4,686	8,258	334,269
Wholesale (1)								
Business (3)	60,221	34,385	21,952	116,558	55,374	23,544	20,250	99,168
Bank (4)	530	115	1,155	1,800	413	30	758	1,201
Sovereign (5)	6,332	–	1,379	7,711	1,797	–	788	2,585
	67,083	34,500	24,486	126,069	57,584	23,574	21,796	102,954
Total loans	\$ 401,226	\$ 39,984	\$ 33,042	\$ 474,252	\$ 378,909	\$ 28,260	\$ 30,054	\$ 437,223
Allowance for loan losses	(1,416)	(131)	(482)	(2,029)	(1,466)	(100)	(428)	(1,994)
Total loans net of allowance for loan losses	\$ 399,810	\$ 39,853	\$ 32,560	\$ 472,223	\$ 377,443	\$ 28,160	\$ 29,626	\$ 435,229

(1) Geographic information is based on residence of borrower.

(2) Includes small business exposure managed on a pooled basis.

(3) Includes small business exposure managed on an individual client basis.

(4) Bank refers primarily to regulated deposit-taking institutions and securities firms.

(5) Sovereign refers to all central governments and agencies, central banks, as well as other qualifying public sector entities and multilateral development banks.

Loans maturity and rate sensitivity

(Millions of Canadian dollars)	As at October 31, 2015							
	Maturity term (1)				Rate sensitivity			
	Under 1 year (2)	1 to 5 years	Over 5 years	Total	Floating	Fixed Rate	Non-rate-sensitive	Total
Retail	\$ 194,596	\$ 143,352	\$ 10,235	\$ 348,183	\$ 126,141	\$ 216,841	\$ 5,201	\$ 348,183
Wholesale	101,922	19,505	4,642	126,069	53,799	70,827	1,443	126,069
Total loans	\$ 296,518	\$ 162,857	\$ 14,877	\$ 474,252	\$ 179,940	\$ 287,668	\$ 6,644	\$ 474,252
Allowance for loan losses				(2,029)				(2,029)
Total loans net of allowance for loan losses				\$ 472,223				\$ 472,223

(Millions of Canadian dollars)	As at October 31, 2014							
	Maturity term (1)				Rate sensitivity			
	Under 1 year (2)	1 to 5 years	Over 5 years	Total	Floating	Fixed Rate	Non-rate-sensitive	Total
Retail	\$ 184,164	\$ 140,566	\$ 9,539	\$ 334,269	\$ 121,191	208,498	4,580	\$ 334,269
Wholesale	83,746	15,745	3,463	102,954	44,068	57,742	1,144	102,954
Total loans	\$ 267,910	\$ 156,311	\$ 13,002	\$ 437,223	\$ 165,259	\$ 266,240	\$ 5,724	\$ 437,223
Allowance for loan losses				(1,994)				(1,994)
Total loans net of allowance for loan losses				\$ 435,229				\$ 435,229

(1) Generally, based on the earlier of contractual repricing or maturity date.

(2) Includes variable rate loans that can be repriced at the clients' discretion without penalty.

Allowance for credit losses

	For the year ended October 31, 2015						
	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries	Unwind of discount	Exchange rate changes/ other	Balance at end of period
(Millions of Canadian dollars)							
Retail							
Residential mortgages	\$ 240	\$ 46	\$ (64)	\$ 7	\$ (23)	\$ 36	\$ 242
Personal	535	384	(494)	105	(16)	16	530
Credit cards	385	378	(497)	119	–	1	386
Small business	64	32	(40)	10	(2)	–	64
	1,224	840	(1,095)	241	(41)	53	1,222
Wholesale							
Business	768	258	(243)	33	(39)	28	805
Bank (1)	2	(1)	–	1	–	–	2
	770	257	(243)	34	(39)	28	807
Total allowance for loan losses	1,994	1,097	(1,338)	275	(80)	81	2,029
Allowance for off-balance sheet and other items (2)	91	–	–	–	–	–	91
Total allowance for credit losses	\$ 2,085	\$ 1,097	\$ (1,338)	\$ 275	\$ (80)	\$ 81	\$ 2,120
Individually assessed	\$ 214	\$ 149	\$ (132)	\$ 18	\$ (26)	\$ 29	\$ 252
Collectively assessed	1,871	948	(1,206)	257	(54)	52	1,868
Total allowance for credit losses	\$ 2,085	\$ 1,097	\$ (1,338)	\$ 275	\$ (80)	\$ 81	\$ 2,120

	For the year ended October 31, 2014						
	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries	Unwind of discount	Exchange rate changes/ other	Balance at end of period
(Millions of Canadian dollars)							
Retail							
Residential mortgages	\$ 151	\$ 95	\$ (30)	\$ 2	\$ (26)	\$ 48	\$ 240
Personal	583	444	(565)	106	(23)	(10)	535
Credit cards	385	353	(466)	114	–	(1)	385
Small business	61	44	(47)	9	(2)	(1)	64
	1,180	936	(1,108)	231	(51)	36	1,224
Wholesale							
Business	777	228	(221)	32	(36)	(12)	768
Bank (1)	2	–	–	–	–	–	2
	779	228	(221)	32	(36)	(12)	770
Total allowance for loan losses	1,959	1,164	(1,329)	263	(87)	24	1,994
Allowance for off-balance sheet and other items (2)	91	–	–	–	–	–	91
Total allowance for credit losses	\$ 2,050	\$ 1,164	\$ (1,329)	\$ 263	\$ (87)	\$ 24	\$ 2,085
Individually assessed	\$ 240	\$ 160	\$ (188)	\$ 16	\$ (24)	\$ 10	\$ 214
Collectively assessed	1,810	1,004	(1,141)	247	(63)	14	1,871
Total allowance for credit losses	\$ 2,050	\$ 1,164	\$ (1,329)	\$ 263	\$ (87)	\$ 24	\$ 2,085

For the year ended October 31, 2013

(Millions of Canadian dollars)	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries	Unwind of discount	Exchange rate changes/ other	Balance at end of period
Retail							
Residential mortgages	\$ 124	\$ 41	\$ (24)	\$ 2	\$ (24)	\$ 32	\$ 151
Personal	543	455	(498)	96	(17)	4	583
Credit cards	403	354	(466)	112	–	(18)	385
Small business	72	32	(35)	9	(2)	(15)	61
	1,142	882	(1,023)	219	(43)	3	1,180
Wholesale							
Business	852	355	(448)	51	(43)	10	777
Bank (1)	2	–	–	–	–	–	2
	854	355	(448)	51	(43)	10	779
Total allowance for loan losses	1,996	1,237	(1,471)	270	(86)	13	1,959
Allowance for off-balance sheet and other items (2)	91	–	–	–	–	–	91
Total allowance for credit losses	\$ 2,087	\$ 1,237	\$ (1,471)	\$ 270	\$ (86)	\$ 13	\$ 2,050
Individually assessed	\$ 298	\$ 287	\$ (346)	\$ 31	\$ (28)	\$ (2)	\$ 240
Collectively assessed	1,789	950	(1,125)	239	(58)	15	1,810
Total allowance for credit losses	\$ 2,087	\$ 1,237	\$ (1,471)	\$ 270	\$ (86)	\$ 13	\$ 2,050

(1) Bank refers primarily to regulated deposit-taking institutions and securities firms.

(2) The allowance for off-balance sheet and other items is reported separately in Other liabilities – Provisions.

Net interest income after provision for credit losses

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Net interest income	\$ 14,771	\$ 14,116	\$ 13,249
Provision for credit losses	1,097	1,164	1,237
Net interest income after provision for credit losses	\$ 13,674	\$ 12,952	\$ 12,012

Loans past due but not impaired

(Millions of Canadian dollars)	As at							
	October 31, 2015				October 31, 2014			
	1 to 29 days	30 to 89 days	90 days and greater	Total	1 to 29 days	30 to 89 days	90 days and greater	Total
Retail	\$ 3,054	\$ 1,298	\$ 314	\$4,666	\$ 3,055	\$ 1,284	\$ 316	\$4,655
Wholesale	417	184	–	601	431	322	–	753
	\$ 3,471	\$ 1,482	\$ 314	\$5,267	\$ 3,486	\$ 1,606	\$ 316	\$5,408

Gross carrying value of loans individually determined to be impaired (1)

(Millions of Canadian dollars)	As at	
	October 31 2015	October 31 2014
Retail	\$ –	\$ –
Wholesale		
Business	991	631
Bank (2)	2	2
	\$ 993	\$ 633

(1) Average balance of gross individually assessed impaired loans for the year ended October 31, 2015 was \$830 million (October 31, 2014 – \$690 million).

(2) Bank refers primarily to regulated deposit-taking institutions and securities firms.

We enter into transactions in which we transfer financial assets such as loans or securities to structured entities or other third parties. The transferred financial assets are derecognized from our Consolidated Balance Sheets when we transfer substantially all of the risks and rewards of ownership of the financial assets. When we are exposed to substantially all of the risks and rewards of the assets, or when we have neither transferred nor retained substantially all of the risks and rewards but retain control of the financial assets, we continue to recognize the financial assets on our Consolidated Balance Sheets and a liability is recognized for the cash proceeds received.

The majority of assets transferred under repurchase agreements, securities lending agreements, and in our Canadian residential mortgage securitization transactions do not qualify for derecognition.

Transferred financial assets not derecognized

Securitization of Canadian residential mortgage loans

We securitize insured Canadian residential mortgage loans through the creation of MBS pools under the National Housing Act MBS (NHA MBS) program. All loans securitized under the NHA MBS program are required to be insured by the Canadian Mortgage Housing Corporation or a third-party insurer. We require the borrower to pay the insurance for mortgages in which the loan amount is greater than 80% of the original appraised value of the property (loan-to-value (LTV) ratio). For residential mortgage loans securitized under this program with an LTV ratio less than 80%, we are required to insure the mortgages at our own expense. Under the NHA MBS program, we are responsible for making all payments due on our issued MBS, regardless of whether we collect the necessary funds from the mortgagor or the insurer. When the borrower defaults on the mortgage payment, we submit a claim to the insurer if the amount recovered from the collection or foreclosure process is lower than the sum of the principal balance, accrued interest and collection costs on the outstanding loan. The insurance claim process is managed by the insurance provider in accordance with the insurer's policies and covers the entire unpaid loan balance plus generally up to 12 months of interest, selling costs and other eligible expenses. If an insurance claim is denied, a loss is recognized in Provision for credit losses in our Consolidated Statements of Income. The amount recorded as a loss is not significant to our Consolidated Financial Statements and no significant losses were incurred due to legal action arising from a mortgage default during 2015 and 2014.

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

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

Securities sold under repurchase agreements and securities loaned

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

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

	As at								
	October 31, 2015				October 31, 2014				
	Canadian residential mortgage loans (1), (2)	Securities sold under repurchase agreements (3)	Securities loaned (3)	Total	Canadian residential mortgage loans (1) (2)	Securities sold under repurchase agreements (3)	Securities loaned (3)	Total	
(Millions of Canadian dollars)									
Carrying amount of transferred assets that do not qualify for derecognition	\$ 35,707	\$ 78,327	\$ 4,961	\$ 118,995	\$ 36,972	\$ 60,279	\$ 4,052	\$ 101,303	
Carrying amount of associated liabilities	36,130	78,327	4,961	119,418	36,941	60,279	4,052	101,272	
Fair value of transferred assets	\$ 35,770	\$ 78,327	\$ 4,961	\$ 119,058	\$ 37,010	\$ 60,279	\$ 4,052	\$ 101,341	
Fair value of associated liabilities	37,150	78,327	4,961	120,438	37,769	60,279	4,052	102,100	
Fair value of net position	\$ (1,380)	\$ –	\$ –	\$ (1,380)	\$ (759)	\$ –	\$ –	\$ (759)	

(1) Includes Canadian residential mortgage loans transferred primarily to Canada Housing Trust at the initial securitization and other permitted investments used for funding requirements after the initial securitization.

(2) Canada Mortgage Bond (CMB) investors have legal recourse only to the transferred assets, and do not have recourse to our general assets.

(3) Does not include over-collateralization of assets pledged.

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

Consolidated structured entities

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

Credit card securitization vehicle

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

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

We consolidate the structured entity because we have decision making power over the timing and size of future issuances and other relevant activities which were predetermined by us at inception. We also obtain significant funding benefits and are exposed to the majority of the residual ownership risks through the credit support provided. As at October 31, 2015, \$9.1 billion of notes issued by our credit card securitization vehicle were included in Deposits on our Consolidated Balance Sheets (October 31, 2014 – \$8.5 billion).

Auto loan securitization vehicles

We obtained control of certain auto loan securitization vehicles as a result of the acquisition of the Canadian auto finance and deposit business of Ally Financial Inc. completed in 2013. These vehicles issued senior and subordinated notes collateralized by auto loan receivables originated and transferred to the entities by Ally Financial Inc. After the acquisition, we provided credit enhancement to the outstanding notes through overcollateralization, cash reserve accounts and our interest in the excess spread, which was subordinated to the noteholders. We also acted as swap counterparty for one entity's interest rate swap agreements which hedge its interest rate risk exposure.

We consolidate these vehicles because we have the decision making power over their investing and financing activities. As at October 31, 2015, all of the outstanding senior and subordinated notes issued by these vehicles have been repaid in full; therefore, \$nil of such notes were included in Deposits on our Consolidated Balance Sheets (October 31, 2014 – \$407 million).

Collateralized commercial paper vehicle

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

We consolidate the structured entity because we have decision making power over the relevant activities, are the sole borrower from the structure, and are exposed to a majority of the residual ownership risks through the credit support provided. As at October 31, 2015, \$11.8 billion of commercial paper issued by the vehicle was included in Deposits on our Consolidated Balance Sheets (October 31, 2014 – \$7.8 billion).

Innovative capital vehicles

RBC Capital Trust was created to issue innovative capital instruments, the proceeds from which were used to purchase mortgages from RBC. We consolidate the trust as, through our roles as trustee, administrative agent and equity investor, we have the decision making power over the relevant activities of the trust and are exposed to variability from the performance of the underlying mortgages. Refer to Note 20 for further details on our innovative capital instruments.

Covered bonds

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

We consolidate Guarantor LP as we have the decision making power over the relevant activities through our role as general partner and are exposed to variability from the performance of the underlying mortgages. As at October 31, 2015, the total amount of mortgages transferred and outstanding was \$54.5 billion (October 31, 2014 – \$38.3 billion) and \$37.2 billion of covered bonds were recorded as Deposits on our Consolidated Balance Sheets (October 31, 2014 – \$26.4 billion).

Municipal bond TOB structures

We sell taxable and tax-exempt municipal bonds into Tender Option Bond (TOB) structures, which consist of a credit enhancement (CE) trust and a TOB trust. The CE trust purchases a bond from us, financed with a trust certificate issued to the TOB trust. The TOB trust then issues floating-rate certificates to short-term investors and a residual certificate that is held by us. We are the remarketing agent for the floating-rate certificates

and provide a liquidity facility to the TOB trust which requires us to purchase any certificates tendered but not successfully remarketed. We also provide a letter of credit to the CE trust under which we are required to extend funding if there are any losses on the underlying bonds. We earn interest on the residual certificate and receive market-based fees for acting as remarketing agent and providing the liquidity facility and letter of credit.

We consolidate both the CE trust and TOB trust when we are the holder of the residual certificate as we have decision making power over the relevant activities, including the selection of the underlying municipal bonds and the ability to terminate the structure, and are exposed to variability from the performance of the underlying municipal bonds. As at October 31, 2015, \$6.0 billion of municipal bonds were included in AFS securities related to consolidated TOB structures (October 31, 2014 – \$3.3 billion) and a corresponding \$6.1 billion of floating rate certificates were included in Deposits on our Consolidated Balance Sheets (October 31, 2014 – \$3.3 billion).

Non-RBC managed Investment funds

We enter into certain fee-based equity derivative transactions where our investments in the reference funds are held by an intermediate limited partnership entity (intermediate entity) in which we hold a substantial majority of the equity interests. We consolidate the intermediate entity because we have the decision making power to direct all the activities of the entity and are exposed to a majority of the risks and rewards through our equity investments. As at October 31, 2015, \$227 million of Trading securities representing our investments in the reference funds were recorded on our Consolidated Balance Sheets (October 31, 2014 – \$277 million).

RBC managed investment funds

We are sponsors and investment managers of mutual and pooled funds, which gives us the ability to direct the investment decisions of the funds. We consolidate those mutual and pooled funds in which our interests, which include direct investment in seed capital plus management or performance fees, indicate that we are acting as a principal. As at October 31, 2015, \$586 million of Trading securities held in the consolidated funds (October 31, 2014 – \$586 million) and \$190 million of Other liabilities representing the fund units held by third parties (October 31, 2014 – \$189 million) were recorded on our Consolidated Balance Sheets.

Unconsolidated structured entities

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

The following table presents the assets and liabilities recorded on our Consolidated Balance Sheets and our maximum exposure to loss related to our interests in unconsolidated structured entities. It also presents the size of each class of unconsolidated structured entity, as measured by the total assets of the entities in which we have an interest.

(Millions of Canadian dollars)	As at October 31, 2015						
	Multi-seller conduits (1)	Structured finance	Non-RBC managed investment funds	RBC managed investment funds	Third-party securitization vehicles	Other	Total
On-balance sheet assets							
Securities	\$ 17	\$ –	\$ 2,661	\$ 275	\$ –	\$ 697	\$ 3,650
Loans	764	1,323	–	–	5,447	–	7,534
Derivatives	19	2	–	–	3	54	78
Other assets	–	547	1	225	–	57	830
	\$ 800	\$ 1,872	\$ 2,662	\$ 500	\$ 5,450	\$ 808	\$ 12,092
On-balance sheet liabilities							
Derivatives	\$ 24	\$ –	\$ –	\$ –	\$ –	\$ 11	\$ 35
Other liabilities	–	–	33	–	–	2	35
	\$ 24	\$ –	\$ 33	\$ –	\$ –	\$ 13	\$ 70
Maximum exposure to loss (2)	\$ 37,789	\$ 3,681	\$ 3,440	\$ 490	\$ 9,694	\$ 927	\$ 56,021
Total assets of unconsolidated structured entities	\$ 37,044	\$ 21,621	\$ 658,236	\$ 278,474	\$ 125,294	\$ 67,658	\$ 1,188,327

(Millions of Canadian dollars)	As at October 31, 2014						
	Multi-seller conduits (1)	Structured finance	Non-RBC managed investment funds	RBC managed investment funds	Third-party securitization vehicles	Other	Total
On-balance sheet assets							
Securities	\$ 42	\$ –	\$ 3,343	\$ 151	\$ 1	\$ 696	\$ 4,233
Loans	864	–	–	–	1,463	–	2,327
Derivatives	–	3	–	–	–	8	11
Other assets	–	913	1	220	–	51	1,185
	\$ 906	\$ 916	\$ 3,344	\$ 371	\$ 1,464	\$ 755	\$ 7,756
On-balance sheet liabilities							
Derivatives	\$ 85	\$ –	\$ –	\$ –	\$ 2	\$ –	\$ 87
Other liabilities	–	–	5	–	–	3	8
	\$ 85	\$ –	\$ 5	\$ –	\$ 2	\$ 3	\$ 95
Maximum exposure to loss (2)	\$ 31,019	\$ 2,158	\$ 4,005	\$ 203	\$ 2,397	\$ 873	\$ 40,655
Total assets of unconsolidated structured entities	\$ 30,428	\$ 13,118	\$ 621,938	\$ 272,852	\$ 27,095	\$ 64,963	\$ 1,030,394

(1) Total assets of unconsolidated structured entities represent the maximum assets that may have to be purchased by the conduits under purchase commitments outstanding. Of the purchase commitments outstanding, the conduits have purchased financial assets totalling \$25.2 billion as at October 31, 2015 (October 31, 2014 – \$19.8 billion).

(2) The maximum exposure to loss resulting from our interests in these entities consists mostly of investments, loans, fair value of derivatives, liquidity and credit enhancement facilities. The maximum exposure to loss of the multi-seller conduits is higher than the on-balance sheet assets primarily by the notional amounts of the backstop liquidity and credit enhancement facilities. Refer to Note 26.

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

Multi-seller conduits

We administer five multi-seller asset-backed commercial paper (ABCP) conduit programs (multi-seller conduits) – two in Canada and three in the U.S. These conduits primarily purchase financial assets from clients and finance those purchases by issuing ABCP.

We do not maintain any ownership or retained interests in the multi-seller conduits that we administer and have no rights to, or control of, their assets. As the administrative agent, we earn a residual fee for providing services such as coordinating funding activities, transaction structuring, documentation, execution and monitoring of transactions. The ABCP issued by each multi-seller conduit is in the conduit's own name with recourse to the financial assets owned by each multi-seller conduit, and is non-recourse to us except through our participation in liquidity and/or credit enhancement facilities. We may purchase ABCP issued by our multi-seller conduits from time to time in our capacity as placement agent in order to facilitate the overall program liquidity.

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

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

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

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

We do not consolidate these multi-seller conduits as we do not have the decision-making power to direct the relevant activities noted above.

Structured finance

We purchased U.S. ARS from certain trusts (U.S. ARS Trusts) which fund their long-term investments in student loans by issuing short-term senior and subordinated notes. We are subject to losses on these U.S. ARS Trusts if defaults are experienced on the underlying student loans; however, in the majority of these structures, the principal and accrued interest on the student loans is guaranteed by U.S. government agencies. We act as auction agent for some of these entities but have no legal obligation to purchase the notes issued by these entities in the auction process. We do not consolidate these U.S. ARS Trusts as we do not have decision making power over the investing and financing activities of the Trusts, which are the activities that most significantly affect the performance of the Trusts.

Additionally, we invest in certain municipal bond TOB structures that we do not consolidate. These structures are similar to those consolidated municipal bond TOB structures described above; however, the residual certificates are held by third-parties and we do not provide credit enhancement of the underlying assets. We only provide liquidity facilities on the floating-rate certificates which may be drawn if certificates are tendered but not able to be remarketed. We do not have decision making power over the relevant activities of the structures; therefore, we do not consolidate these structures. The assets transferred into these programs are derecognized from our Consolidated Balance Sheets.

We provide senior warehouse financing to structured entities that are established by third parties to acquire loans for the purposes of issuing a term collateralized loan obligation (CLO) transaction. Subordinated financing is provided during the warehouse phase by one or more third-party equity investors. We act as the arranger and placement agent for the term CLO transaction. Proceeds from the sale of the term CLO are used to repay our senior warehouse financing, at which point we have no further involvement with the transaction. We do not consolidate these CLO structures as we do not have decision making power over the relevant activities of the entity, which include the initial selection and subsequent management of the underlying debt portfolio.

Non-RBC managed investment funds

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

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

RBC managed investment funds

We are sponsors and investment managers of mutual and pooled funds which gives us the ability to direct the investment decisions of the funds. We do not consolidate those mutual and pooled funds in which our interests indicate that we are exercising our decision making power as an agent of the other unit holders.

Third-party securitization vehicles

We hold interests in securitization vehicles that provide funding to certain third parties on whose behalf the entities were created. The activities of these entities are limited to the purchase and sale of specified assets from the sponsor and the issuance of asset-backed notes collateralized by those assets. The underlying assets are typically receivables, including auto loans and leases. We, as well as other financial institutions, are

obligated to provide funding up to our maximum commitment level and are exposed to credit losses on the underlying assets after various credit enhancements. Enhancement can take various forms, including but not limited to overcollateralization, excess spread, subordinated classes of financial assets, guarantees or letters of credit. The amount of this enhancement varies but is generally sized to cover a multiple of loss experience. We do not consolidate these entities as we do not have decision making power over the relevant activities, including the investing and financing activities.

Other

Other structured entities include credit investment products and tax credit funds.

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

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

Other interests in unconsolidated structured entities

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

Sponsored entities

We are a sponsor of certain structured entities in which we have interests but do not consolidate. In determining whether we are a sponsor of a structured entity, we consider both qualitative and quantitative factors, including the purpose and nature of the entity, our initial and continuing involvement and whether we hold subordinated interests in the entity. We are considered to be the sponsor of certain credit investment products, tax credit entities, RBC-managed mutual funds and a commercial mortgage securitization vehicle. During the year ended October 31, 2015, we transferred commercial mortgages with a carrying amount of \$195 million (October 31, 2014 – \$173 million) to a sponsored securitization vehicle in which we did not have an interest as at the end of the reporting period.

Financial support provided to structured entities

During the years ended October 31, 2015, 2014 and 2013, we have not provided any financial or non-financial support to any consolidated or unconsolidated structured entities when we were not contractually obligated to do so. Furthermore, we have no intention to provide such support in the future.

Note 8 Derivative financial instruments and hedging activities

Derivative instruments are categorized as either financial or non-financial derivatives. Financial derivatives are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, credit risk, and equity or equity index. Non-financial derivatives are contracts whose value is derived from a precious metal, commodity instrument or index. The notional amount of derivatives represents the contract amount used as a reference point to calculate payments. Notional amounts are generally not exchanged by counterparties, and do not reflect our exposure at default.

Financial derivatives

Forwards and futures

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

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

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

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

Swaps

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

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

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

Options

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

Credit derivatives

Credit derivatives are OTC contracts that transfer credit risk related to an underlying financial instrument (referenced asset) from one counterparty to another. Examples of credit derivatives are described below.

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

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

Total return swaps are contracts where one counterparty agrees to pay or receive from the other cash flows based on changes in the value of the referenced asset.

Other derivative products

Certain warrants and loan commitments that meet the definition of derivative are also included as derivative instruments.

Non-financial derivatives

We also transact in non-financial derivative products including precious metal and commodity derivative contracts in both the OTC and exchange markets.

Derivatives issued for trading purposes

Most of our derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to clients to enable them to transfer, modify or reduce current or expected risks. Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenue based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives issued for other-than-trading purposes

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

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

Certain derivatives and cash instruments are specifically designated and qualify for hedge accounting. We apply hedge accounting to minimize volatility in earnings and capital caused by changes in interest rates or foreign exchange rates. Interest rate and currency fluctuations will either cause assets and liabilities to appreciate or depreciate in market value or cause variability in forecasted cash flows. When a hedging relationship is effective, gains, losses, revenue and expenses of the hedging instrument will offset the gains, losses, revenue and expenses of the hedged item. We largely assess and measure the effectiveness of a hedging relationship based on the change in fair value of the derivative hedging instrument relative to the change in fair value of the hedged item. When cash instruments are designated as hedges of currency risks, only changes in their value due to currency risk are included in the assessment and measurement of hedge effectiveness.

From time to time, we also enter into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered economically feasible to implement. In such circumstances, changes in fair value are reflected in Non-interest income.

After-tax unrealized losses relating to de-designated hedges of \$65 million (before-tax unrealized losses of \$89 million) included in Other components of equity as at October 31, 2015, are expected to be reclassified to Net interest income within the next 12 months.

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

Derivatives and non-derivative instruments

	As at							
	October 31, 2015				October 31, 2014			
	Designated as hedging instruments in hedging relationships				Designated as hedging instruments in hedging relationships			
(Millions of Canadian dollars)	Cash flow hedges	Fair value hedges	Net investment hedges	Not designated in a hedging relationship	Cash flow hedges	Fair value hedges	Net investment hedges	Not designated in a hedging relationship
Assets								
Derivative instruments	\$ 842	\$ 1,814	\$ 167	\$ 102,803	\$ 504	\$ 1,392	\$ 87	\$ 85,419
Liabilities								
Derivative instruments	1,629	311	49	105,871	511	121	205	88,145
Non-derivative instruments	—	—	18,804	—	—	—	20,949	—

Results of hedge activities recorded in Net income and Other comprehensive income

(Millions of Canadian dollars)	For the year ended								
	October 31, 2015			October 31, 2014			October 31, 2013		
	Net gains (losses) included in Non-interest income	Net gains (losses) included in Net interest income	After-tax unrealized gains (losses) included in OCI	Net gains (losses) included in Non-interest income	Net gains (losses) included in Net interest income	After-tax unrealized gains (losses) included in OCI	Net gains (losses) included in Non-interest income	Net gains (losses) included in Net interest income	After-tax unrealized gains (losses) included in OCI
Fair value hedges									
Gains (losses) on hedging instruments	\$ 313	\$ n.a.	\$ n.a.	\$ 216	\$ n.a.	\$ n.a.	\$ (551)	\$ n.a.	\$ n.a.
Gains (losses) on hedged items attributable to the hedged risk	(424)	n.a.	n.a.	(329)	n.a.	n.a.	459	n.a.	n.a.
Ineffective portion (1)	(111)	n.a.	n.a.	(113)	n.a.	n.a.	(92)	n.a.	n.a.
Cash flow hedges									
Ineffective portion	3	n.a.	n.a.	(13)	n.a.	n.a.	(13)	n.a.	n.a.
Effective portion	n.a.	n.a.	(541)	n.a.	n.a.	(108)	n.a.	n.a.	(11)
Reclassified to income during the period (2)	n.a.	(447)	n.a.	n.a.	(38)	n.a.	n.a.	40	n.a.
Net investment hedges									
Ineffective portion	(1)	n.a.	n.a.	1	n.a.	n.a.	1	n.a.	n.a.
Foreign currency gains (losses)	n.a.	n.a.	5,885	n.a.	n.a.	2,743	n.a.	n.a.	1,402
Gains (losses) from hedges	n.a.	n.a.	(3,223)	n.a.	n.a.	(1,585)	n.a.	n.a.	(912)
	\$ (109)	\$ (447)	\$ 2,121	\$ (125)	\$ (38)	\$ 1,050	\$ (104)	\$ 40	\$ 479

(1) Includes losses of \$106 million (October 31, 2014 – \$109 million; October 31, 2013 – \$82 million) that are excluded from the assessment of hedge effectiveness. These amounts are recorded in Non-interest income and are offset by economic hedges.

(2) After-tax losses of \$330 million were reclassified from Other components of equity to income during the year ended October 31, 2015 (October 31, 2014 – losses of \$28 million; October 31, 2013 – gains of \$30 million).

n.a. not applicable

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

(Millions of Canadian dollars)	As at October 31, 2015					
	Term to maturity				Trading	Other than Trading
	Within 1 year	1 to 5 years	Over 5 years (1)	Total		
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 602,072	\$ 26,334	\$ –	\$ 628,406	\$ 628,406	\$ –
Swaps	1,717,989	3,946,377	2,482,659	8,147,025	7,922,567	224,458
Options purchased	106,908	99,994	34,649	241,551	241,551	–
Options written	107,213	108,237	44,268	259,718	259,718	–
Foreign exchange contracts						
Forward contracts	1,273,434	45,591	1,275	1,320,300	1,271,428	48,872
Cross currency swaps	7,404	24,711	31,010	63,125	59,423	3,702
Cross currency interest rate swaps	246,668	609,751	323,403	1,179,822	1,129,357	50,465
Options purchased	25,921	13,773	4,274	43,968	43,968	–
Options written	24,933	12,168	4,677	41,778	41,778	–
Credit derivatives (2)	1,250	9,759	3,947	14,956	14,286	670
Other contracts (3)	75,723	57,344	24,819	157,886	154,504	3,382
Exchange-traded contracts						
Interest rate contracts						
Futures – long positions	18,934	10,469	10	29,413	29,413	–
Futures – short positions	36,589	25,939	2	62,530	62,530	–
Options purchased	17,282	9,119	–	26,401	26,401	–
Options written	1,281	956	–	2,237	2,237	–
Foreign exchange contracts						
Futures – long positions	308	–	–	308	308	–
Futures – short positions	714	13	–	727	727	–
Other contracts (3)	170,464	43,345	1,197	215,006	215,006	–
	\$ 4,435,087	\$ 5,043,880	\$ 2,956,190	\$ 12,435,157	\$ 12,103,608	\$ 331,549

Note 8 Derivative financial instruments and hedging activities (continued)

(Millions of Canadian dollars)	As at October 31, 2014						
	Term to maturity				Total	Trading	Other than Trading
	Within 1 year	1 to 5 years	Over 5 years (1)				
Over-the-counter contracts							
Interest rate contracts							
Forward rate agreements	\$ 324,707	\$ 47,227	\$ –	\$ 371,934	\$ 371,934	\$ –	
Swaps	1,626,852	3,301,834	1,852,349	6,781,035	6,579,940	201,095	
Options purchased	98,085	101,493	23,930	223,508	223,508	–	
Options written	97,259	104,445	32,258	233,962	233,962	–	
Foreign exchange contracts							
Forward contracts	1,019,102	30,832	1,094	1,051,028	1,018,520	32,508	
Cross currency swaps	7,371	15,102	20,415	42,888	42,156	732	
Cross currency interest rate swaps	148,340	424,982	218,011	791,333	763,764	27,569	
Options purchased	27,159	12,665	4,058	43,882	43,882	–	
Options written	28,287	12,220	4,475	44,982	44,982	–	
Credit derivatives (2)	1,702	16,188	8,124	26,014	24,707	1,307	
Other contracts (3)	62,652	58,982	20,685	142,319	140,168	2,151	
Exchange-traded contracts							
Interest rate contracts							
Futures – long positions	14,429	16,614	47	31,090	31,090	–	
Futures – short positions	52,345	19,373	1	71,719	71,719	–	
Options purchased	21,303	5,229	–	26,532	26,532	–	
Options written	4,322	–	–	4,322	4,322	–	
Foreign exchange contracts							
Futures – long positions	960	–	–	960	960	–	
Futures – short positions	1,167	–	–	1,167	1,167	–	
Other contracts (3)	132,399	33,755	420	166,574	166,571	3	
	\$ 3,668,441	\$ 4,200,941	\$ 2,185,867	\$ 10,055,249	\$ 9,789,884	\$ 265,365	

(1) Includes contracts maturing in over 10 years with a notional value of \$876 billion (October 31, 2014 – \$668 billion). The related gross positive replacement cost is \$60 billion (October 31, 2014 – \$39 billion).

(2) Credit derivatives include credit default swaps, total return swaps and credit default baskets. Credit derivatives with a notional value of \$0.7 billion (October 31, 2014 – \$1.3 billion) are economic hedges. Trading credit derivatives comprise protection purchased of \$8.9 billion (October 31, 2014 – \$13.3 billion) and protection sold of \$5.3 billion (October 31, 2014 – \$11.4 billion).

(3) Other contracts include precious metal, commodity, stable value and equity derivative contracts.

The following tables indicate the periods when the cash flows are expected to occur and when they are expected to affect profit or loss for cash flow hedges.

(Millions of Canadian dollars)	As at October 31, 2015					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
Cash inflows from assets	\$ 156	\$ 189	\$ 192	\$ 243	\$ 12	\$ 792
Cash outflows from liabilities	(1,004)	(282)	(730)	(3,556)	(151)	(5,723)
Net cash flows	\$ (848)	\$ (93)	\$ (538)	\$ (3,313)	\$ (139)	\$ (4,931)

(Millions of Canadian dollars)	As at October 31, 2014					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
Cash inflows from assets	\$ 268	\$ 287	\$ 243	\$ 325	\$ 85	\$ 1,208
Cash outflows from liabilities	(540)	(446)	(384)	(269)	(87)	(1,726)
Net cash flows	\$ (272)	\$ (159)	\$ (141)	\$ 56	\$ (2)	\$ (518)

Fair value of derivative instruments

(Millions of Canadian dollars)	As at							
	October 31, 2015				October 31, 2014			
	Average fair value for year ended (1)		Year end fair value		Average fair value for year ended (1)		Year end fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Held or issued for trading purposes								
Interest rate contracts								
Forward rate agreements	\$ 340	\$ 303	\$ 323	\$ 291	\$ 258	\$ 206	\$ 347	\$ 357
Swaps	136,398	130,623	135,901	129,829	78,884	75,195	95,960	91,386
Options purchased	4,155	–	3,330	–	3,671	–	4,123	–
Options written	–	5,380	–	4,573	–	4,509	–	5,101
	140,893	136,306	139,554	134,693	82,813	79,910	100,430	96,844
Foreign exchange contracts								
Forward contracts	16,505	16,294	11,599	11,477	8,416	8,741	12,155	11,752
Cross currency swaps	3,039	3,254	3,844	4,109	1,732	1,155	1,788	1,506
Cross currency interest rate swaps	21,445	27,584	19,931	26,385	10,433	14,261	16,034	19,165
Options purchased	3,026	–	2,337	–	1,645	–	2,621	–
Options written	–	2,486	–	1,898	–	1,349	–	2,222
	44,015	49,618	37,711	43,869	22,226	25,506	32,598	34,645
Credit derivatives (2)	130	200	94	153	225	281	254	301
Other contracts (3)	9,431	12,868	10,704	12,866	7,052	10,662	8,525	12,373
	194,469	198,992	188,063	191,581	112,316	116,359	141,807	144,163
Held or issued for other than trading purposes								
Interest rate contracts								
Swaps			2,923	1,585			2,098	626
			2,923	1,585			2,098	626
Foreign exchange contracts								
Forward contracts			274	253			326	259
Cross currency swaps			20	506			–	45
Cross currency interest rate swaps			3,107	2,080			885	754
			3,401	2,839			1,211	1,058
Credit derivatives (2)			–	18			–	41
Other contracts (3)			69	69			112	112
			6,393	4,511			3,421	1,837
Total gross fair values before netting			194,456	196,092			145,228	146,000
Valuation adjustments determined on a pooled basis			(1,303)	(272)			(758)	(36)
Impact of netting agreements that qualify for balance sheet offset			(87,527)	(87,960)			(57,068)	(56,982)
			105,626	107,860			87,402	88,982
Impact of netting agreements that do not qualify for balance sheet offset (4)			(71,833)	(71,833)			(60,546)	(60,546)
			\$ 33,793	\$ 36,027			\$ 26,856	\$ 28,436

(1) Average fair value amounts are calculated based on monthly balances.

(2) Credit derivatives include credit default swaps, total return swaps and credit default baskets.

(3) Other contracts include precious metal, commodity, stable value and equity derivative contracts.

(4) Additional impact of offsetting credit exposures on contracts that do not qualify for balance sheet offset.

Fair value of derivative instruments by term to maturity

(Millions of Canadian dollars)	As at							
	October 31, 2015				October 31, 2014			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Derivative assets	\$ 24,920	\$ 35,883	\$ 44,823	\$ 105,626	\$ 19,485	\$ 29,838	\$ 38,079	\$ 87,402
Derivative liabilities	26,092	40,380	41,388	107,860	19,980	32,640	36,362	88,982

Derivative-related credit risk

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

We subject our derivative transactions to the same credit approval, limit and monitoring standards that we use for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a standard exception reporting process. We use a single internal rating system for all credit risk exposure. In most cases, these internal ratings approximate the external risk ratings of public rating agencies.

Netting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of master netting agreements. A master netting agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default. However, credit risk is reduced only to the extent that our financial obligations to the same counterparty can be set off against

Note 8 Derivative financial instruments and hedging activities (continued)

obligations of the counterparty to us. We maximize the use of master netting agreements to reduce derivative-related credit exposure. Our overall exposure to credit risk that is reduced through master netting agreements may change substantially following the reporting date as the exposure is affected by each transaction subject to the agreement as well as by changes in underlying market rates. Measurement of our credit exposure arising out of derivative transactions is reduced to reflect the effects of netting in cases where the enforceability of that netting is supported by appropriate legal analysis as documented in our trading credit risk policies.

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

Replacement cost represents the total fair value of all outstanding contracts in a gain position after factoring in the master netting agreements. The credit equivalent amount is defined as the sum of the replacement cost plus an add-on amount for potential future credit exposure as defined by OSFI. The risk-weighted amount is determined by applying the standard OSFI defined measures of counterparty risk to the credit equivalent amount.

Derivative-related credit risk

(Millions of Canadian dollars)	As at					
	October 31, 2015 (1)			October 31, 2014 (1)		
	Replacement cost	Credit equivalent amount (2)	Risk-weighted equivalent (3)	Replacement cost	Credit equivalent amount (2)	Risk-weighted equivalent (3)
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 182	\$ 233	\$ 50	\$ 183	\$ 276	\$ 70
Swaps	14,747	27,688	5,197	12,455	22,308	4,660
Options purchased	340	700	446	355	665	386
Foreign exchange contracts						
Forward contracts	5,041	11,254	3,202	5,731	11,049	3,201
Swaps	7,686	9,809	3,878	3,190	6,576	2,516
Options purchased	322	547	276	225	443	201
Credit derivatives (4)	34	913	204	178	2,053	1,136
Other contracts (5)	2,499	7,539	4,320	1,780	6,670	3,996
Exchange traded contracts	4,245	12,048	241	3,530	10,358	207
	\$ 35,096	\$ 70,731	\$ 17,814	\$ 27,627	\$ 60,398	\$ 16,373

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

(2) The total credit equivalent amount includes collateral applied of \$17.8 billion (October 31, 2014 – \$11.4 billion).

(3) The risk-weighted balances are calculated in accordance with Basel III.

(4) Credit derivatives include credit default swaps, total return swaps and credit default baskets, and exclude credit derivatives issued for other-than trading purposes related to bought protection.

(5) Other contracts include precious metal, commodity, stable value, and equity derivatives contracts.

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

(Millions of Canadian dollars)	As at October 31, 2015								
	Risk rating (1)				Total	Counterparty type (2)			
	AAA, AA	A	BBB	BB or lower		Banks	OECD governments	Other	Total
Gross positive replacement cost	\$ 30,824	\$ 136,843	\$ 16,191	\$ 10,598	\$ 194,456	\$ 56,631	\$ 16,374	\$ 121,451	\$ 194,456
Impact of master netting agreements	22,751	124,603	9,260	2,746	159,360	45,401	10,971	102,988	159,360
Replacement cost (after netting agreements)	\$ 8,073	\$ 12,240	\$ 6,931	\$ 7,852	\$ 35,096	\$ 11,230	\$ 5,403	\$ 18,463	\$ 35,096

(Millions of Canadian dollars)	As at October 31, 2014								
	Risk rating (1)				Total	Counterparty type (2)			
	AAA, AA	A	BBB	BB or lower		Banks	OECD governments	Other	Total
Gross positive replacement cost	\$ 25,765	\$ 98,566	\$ 13,995	\$ 6,915	\$ 145,241	\$ 52,986	\$ 12,427	\$ 79,828	\$ 145,241
Impact of master netting agreements	19,279	88,911	8,154	1,270	117,614	44,372	7,743	65,499	117,614
Replacement cost (after netting agreements)	\$ 6,486	\$ 9,655	\$ 5,841	\$ 5,645	\$ 27,627	\$ 8,614	\$ 4,684	\$ 14,329	\$ 27,627

(1) Our internal risk ratings for major counterparty types approximate those of public ratings agencies. Ratings of AAA, AA, A and BBB represent investment grade ratings and ratings of BB or lower represent non-investment grade ratings.

(2) Counterparty type is defined in accordance with the capital adequacy requirements of OSFI.

Note 9 Premises and equipment

(Millions of Canadian dollars)	Land	Buildings	Computer equipment	Furniture, fixtures and other equipment	Leasehold improvements	Work in process	Total
Cost							
Balance at October 31, 2014	\$ 137	\$ 1,347	\$ 1,278	\$ 1,248	\$ 2,192	\$ 208	\$ 6,410
Additions ⁽¹⁾	–	4	195	53	82	344	678
Transfers from work in process	–	11	52	61	212	(336)	–
Disposals	(25)	(95)	(101)	(108)	(98)	–	(427)
Foreign exchange translation	7	18	54	30	69	4	182
Other	4	9	30	8	7	(52)	6
Balance at October 31, 2015	\$ 123	\$ 1,294	\$ 1,508	\$ 1,292	\$ 2,464	\$ 168	\$ 6,849
Accumulated depreciation							
Balance at October 31, 2014	\$ –	\$ 499	\$ 925	\$ 839	\$ 1,463	\$ –	\$ 3,726
Depreciation	–	44	197	103	183	–	527
Disposals	–	(8)	(98)	(96)	(64)	–	(266)
Foreign exchange translation	–	6	42	21	42	–	111
Other	–	(7)	4	8	18	–	23
Balance at October 31, 2015	\$ –	\$ 534	\$ 1,070	\$ 875	\$ 1,642	\$ –	\$ 4,121
Net carrying amount at October 31, 2015	\$ 123	\$ 760	\$ 438	\$ 417	\$ 822	\$ 168	\$ 2,728

(Millions of Canadian dollars)	Land	Buildings	Computer equipment	Furniture, fixtures and other equipment	Leasehold improvements	Work in process	Total
Cost							
Balance at October 31, 2013	\$ 134	\$ 1,358	\$ 1,516	\$ 1,434	\$ 2,040	\$ 113	\$ 6,595
Additions ⁽¹⁾	–	14	108	74	54	279	529
Transfers from work in process	1	17	43	34	90	(185)	–
Disposals	(2)	(1)	(412)	(303)	(67)	(1)	(786)
Foreign exchange translation	2	8	27	14	34	2	87
Other	2	(49)	(4)	(5)	41	–	(15)
Balance at October 31, 2014	\$ 137	\$ 1,347	\$ 1,278	\$ 1,248	\$ 2,192	\$ 208	\$ 6,410
Accumulated depreciation							
Balance at October 31, 2013	\$ –	\$ 499	\$ 1,155	\$ 1,015	\$ 1,290	\$ –	\$ 3,959
Depreciation	–	50	181	101	167	–	499
Disposals	–	(1)	(412)	(282)	(61)	–	(756)
Foreign exchange translation	–	3	21	9	20	–	53
Other	–	(52)	(20)	(4)	47	–	(29)
Balance at October 31, 2014	\$ –	\$ 499	\$ 925	\$ 839	\$ 1,463	\$ –	\$ 3,726
Net carrying amount at October 31, 2014	\$ 137	\$ 848	\$ 353	\$ 409	\$ 729	\$ 208	\$ 2,684

(1) At October 31, 2015, we had total contractual commitments of \$157 million to acquire premises and equipment (October 31, 2014 – \$216 million; October 31, 2013 – \$122 million).

Goodwill

The following table presents changes in the carrying amount of goodwill by CGU for the years ended October 31, 2015 and 2014.

(Millions of Canadian dollars)	Canadian		Canadian		International		Investor &		Capital		Total
	Banking	Banking	Wealth Management	Global Asset Management	U.S. Wealth Management	Wealth Management	Insurance	Treasury Services	Markets		
At October 31, 2013	\$ 2,527	\$ 1,504	\$ 548	\$ 1,937	\$ 539	\$ 132	\$ 118	\$ 149	\$ 878	\$ 8,332	
Dispositions	–	(51)	–	–	–	–	–	–	–	(51)	
Currency translations	–	140	10	105	43	9	–	–	59	366	
At October 31, 2014	\$ 2,527	\$ 1,593	\$ 558	\$ 2,042	\$ 582	\$ 141	\$ 118	\$ 149	\$ 937	\$ 8,647	
Dispositions	–	(23)	–	–	–	(15)	–	–	–	(38)	
Currency translations	–	250	21	177	91	16	–	–	125	680	
At October 31, 2015	\$ 2,527	\$ 1,820	\$ 579	\$ 2,219	\$ 673	\$ 142	\$ 118	\$ 149	\$ 1,062	\$ 9,289	

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

In our 2015 and 2014 annual impairment tests, the recoverable amounts of our Caribbean Banking and International Wealth Management CGUs were based on fair value less costs of disposal. The recoverable amounts of all other CGUs tested were based on value in use.

Value in use

We calculate value in use using a five-year discounted cash flow method. Future cash flows are based on financial plans agreed by management for a five-year period, estimated based on forecast results, business initiatives, capital required to support future cash flows and returns to shareholders. Key drivers of future cash flows include net interest margins and average interest-earning assets. The values assigned to these drivers over the forecast period are based on past experience, external and internal economic forecasts, and management's expectations of the impact of economic conditions on our financial results. Beyond the initial five-year period, cash flows are assumed to increase at a constant rate using a nominal long-term growth rate (terminal growth rate). Terminal growth rates are based on the current market assessment of gross domestic product and inflation for the countries within which the CGU operates. The discount rates used to determine the present value of each CGU's projected future cash flows are based on the bank-wide cost of capital, adjusted for the risks to which each CGU is exposed. CGU-specific risks include: country risk, business/operational risk, geographic risk (including political risk, devaluation risk, and government regulation), currency risk, and price risk (including product pricing risk and inflation).

The estimation of value in use involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. These key inputs and assumptions used to determine the recoverable amount of each CGU using value in use were tested for sensitivity by applying a reasonably possible change to those assumptions. The post-tax discount rates were increased by 1%, terminal growth rates were decreased by 1%, and future cash flows were reduced by 10%. As at August 1, 2015, no change in an individual key input or assumption, as described, would result in a CGU's carrying amount exceeding its recoverable amount based on value in use.

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

	As at			
	August 1, 2015		August 1, 2014	
	Discount rate (1)	Terminal growth rate	Discount rate (1)	Terminal growth rate
Group of cash generating units				
Canadian Banking	10.6%	3.0%	10.6%	3.0%
Caribbean Banking	13.2	4.3	13.0	4.2
Canadian Wealth Management	11.9	3.0	11.9	3.0
Global Asset Management	11.7	3.0	11.6	3.0
U.S. Wealth Management	16.3	3.0	15.7	3.0
International Wealth Management	11.9	3.0	10.3	3.0
Insurance	11.2	3.0	10.1	3.0
Investor & Treasury Services	12.4	3.0	12.8	3.0
Capital Markets	15.7	3.0	15.9	3.0

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

Fair value less costs of disposal – Caribbean Banking

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

The estimation of fair value less costs of disposal involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. These key inputs and assumptions were tested for sensitivity by applying a reasonably possible change to those assumptions. The post-tax discount rates were increased by 1%, terminal growth rates were decreased by 1%, and future cash flows were reduced by 10%. As at August 1, 2015, no reasonably possible change in an individual key input or assumption, as described, would result in the CGU's carrying amount exceeding its recoverable amount based on fair value less costs of disposal.

Fair value less costs of disposal – International Wealth Management

For our International Wealth Management CGU, we calculated fair value less costs of disposal using a multiples-based approach. Each business within the CGU was valued using either a Price-to-assets-under-administration (P/AUA) or Price-to-revenue (P/Rev) multiple, as appropriate, to reflect the considerations of a prospective third-party buyer. In 2015 and 2014, we applied a P/AUA multiple of 2.5x to AUA as at August 1 and a P/Rev multiple of 2.5x to revenue for the 12 months preceding the testing date. These multiples represent our best estimate from a range of reasonably possible inputs based on precedent transactions for comparable businesses. This fair value measurement is categorized as level 3 in the fair value hierarchy as certain significant inputs are not observable.

The estimation of fair value less costs of disposal involves significant judgment in the determination of the appropriate valuation approach and inputs and is most sensitive to changes in the P/AUA and P/Rev multiples. These key inputs were tested for sensitivity by reducing each multiple to the low end of the range of reasonably possible inputs considered. As at August 1, 2015, no reasonably possible change in an individual key input or assumption, as described, would result in the CGU's carrying amount exceeding its recoverable amount based on fair value less costs of disposal.

Other intangible assets

The following table presents the carrying amount of our other intangible assets.

	As at October 31, 2015					
	Internally generated software	Other software	Core deposit intangibles	Customer list and relationships	In process software	Total
<i>(Millions of Canadian dollars)</i>						
Gross carrying amount						
Balance at October 31, 2014	\$ 3,402	\$ 1,186	\$ 168	\$ 1,511	\$ 487	\$ 6,754
Additions	50	75	–	–	615	740
Transfers	503	19	–	–	(522)	–
Dispositions	(98)	(132)	–	(30)	–	(260)
Impairment losses	–	–	–	(22)	–	(22)
Currency translations	84	49	26	79	17	255
Other changes	(12)	(4)	–	–	(17)	(33)
Balance at October 31, 2015	\$ 3,929	\$ 1,193	\$ 194	\$ 1,538	\$ 580	\$ 7,434
Accumulated amortization						
Balance at October 31, 2014	\$ (2,293)	\$ (888)	\$ (151)	\$ (647)	\$ –	\$ (3,979)
Amortization charge for the year	(494)	(81)	(18)	(119)	–	(712)
Dispositions	97	125	–	9	–	231
Impairment losses	(3)	–	–	18	–	15
Currency translations	(60)	(30)	(25)	(41)	–	(156)
Other changes	3	(19)	–	(3)	–	(19)
Balance at October 31, 2015	\$ (2,750)	\$ (893)	\$ (194)	\$ (783)	\$ –	\$ (4,620)
Net balance, at October 31, 2015	\$ 1,179	\$ 300	\$ –	\$ 755	\$ 580	\$ 2,814

Note 10 Goodwill and other intangible assets (continued)

	As at October 31, 2014					
	Internally generated software	Other software	Core deposit intangibles	Customer list and relationships	In process software	Total
<i>(Millions of Canadian dollars)</i>						
Gross carrying amount						
Balance at October 31, 2013	\$ 2,554	\$ 1,128	\$ 157	\$ 1,509	\$ 711	\$ 6,059
Additions	48	57	–	–	545	650
Transfers	750	22	–	–	(772)	–
Dispositions	(4)	(2)	(3)	–	–	(9)
Impairment losses	–	–	–	(8)	–	(8)
Currency translations	32	15	14	48	8	117
Other changes	22	(34)	–	(38)	(5)	(55)
Balance at October 31, 2014	\$ 3,402	\$ 1,186	\$ 168	\$ 1,511	\$ 487	\$ 6,754
Accumulated amortization						
Balance at October 31, 2013	\$ (1,815)	\$ (811)	\$ (117)	\$ (539)	\$ –	\$ (3,282)
Amortization charge for the year	(460)	(60)	(22)	(124)	–	(666)
Dispositions	4	1	–	–	–	5
Impairment losses	–	–	–	–	–	–
Currency translations	(22)	(13)	(12)	(22)	–	(69)
Other changes	–	(5)	–	38	–	33
Balance at October 31, 2014	\$ (2,293)	\$ (888)	\$ (151)	\$ (647)	\$ –	\$ (3,979)
Net balance, at October 31, 2014	\$ 1,109	\$ 298	\$ 17	\$ 864	\$ 487	\$ 2,775

Note 11 Significant acquisition and dispositions
Acquisition
Wealth Management

On January 22, 2015, we announced a definitive agreement to acquire City National Corporation (City National), the holding company for City National Bank. City National Bank provides banking, investment and trust services throughout the United States and comprises substantially all of the business of City National.

During the fourth quarter, we received formal regulatory approval for the acquisition, which we completed on November 2, 2015. The results of the acquired business will be consolidated from the date of close. Refer to Note 36 for further details on the close of this transaction.

Dispositions
Personal & Commercial Banking

On July 31, 2015, we completed the sale of RBC Royal Bank (Suriname) N.V., announced on April 1, 2015. As a result of the transaction, we recorded a total loss on disposal of \$19 million (before and after-tax), consisting of a loss of \$23 million in the second quarter included in Non-interest expense – Other, and a gain of \$4 million in the third quarter primarily relating to foreign currency translation gains reclassified from Other components of equity.

On June 27, 2014, we completed the sale of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited to Sagicor Group Jamaica Limited, as announced on January 29, 2014. As a result of the transaction, we recorded a total loss on disposal of \$100 million (before and after-tax), including a loss of \$60 million in the first quarter and \$40 million primarily relating to foreign currency translation losses reclassified from Other components of equity in the third quarter of 2014. The loss on disposal has been included in Non-Interest expense – Other.

Wealth Management

On August 28, 2015, we completed the sale of Royal Bank of Canada (Suisse) SA, announced on July 14, 2015. The transaction did not have a significant impact on our Consolidated Statements of Income.

Note 12 Joint ventures and associated companies

The following table summarizes the carrying value of our interests in joint ventures and associated companies accounted for under the equity method as well as our share of the income of those entities.

(Millions of Canadian dollars)	Joint ventures			Associated companies		
	As at and for the year ended					
	October 31 2015	October 31 2014	October 31 2013	October 31 2015	October 31 2014	October 31 2013
Carrying amount	\$ 223	\$ 180	\$ 135	\$ 137	\$ 115	\$ 112
Share of:						
Net income	119	131	133	30	31	26
Other comprehensive income	8	5	5	2	–	–
	\$ 127	\$ 136	\$ 138	\$ 32	\$ 31	\$ 26

We do not have any joint ventures or associated companies that are individually material to our financial results.

During the year ended October 31, 2015, we recognized an impairment loss of \$3 million with respect of our interests in associated companies (October 31, 2014 – \$nil; October 31, 2013 – \$20 million) and no gains on sales of associated companies (October 31, 2014 – \$62 million; October 31, 2013 – \$nil).

Note 13 Other assets

(Millions of Canadian dollars)	As at	
	October 31 2015	October 31 2014
Cash collateral and margin deposits	\$ 23,018	\$ 12,481
Accounts receivable and prepaids	2,843	3,773
Receivable from brokers, dealers and clients	2,608	2,354
Insurance-related assets		
Collateral loans	1,176	1,121
Policy loans	106	113
Reinsurance assets	683	512
Other	576	400
Deferred income tax asset	2,072	2,382
Accrued interest receivable	1,757	1,554
Taxes receivable	2,343	1,620
Precious metals	106	223
Other	3,979	4,162
	\$ 41,267	\$ 30,695

Note 14 Deposits

The following table details our deposit liabilities.

(Millions of Canadian dollars)	As at							
	October 31, 2015				October 31, 2014			
	Demand (1)	Notice (2)	Term (3)	Total	Demand (1)	Notice (2)	Term (3)	Total
Personal	\$ 128,101	\$ 19,758	\$ 72,707	\$ 220,566	\$ 120,444	\$ 17,793	\$ 70,980	\$ 209,217
Business and government	175,931	6,854	272,793	455,578	162,988	3,038	220,634	386,660
Bank	7,711	23	13,349	21,083	5,771	11	12,441	18,223
	\$ 311,743	\$ 26,635	\$ 358,849	\$ 697,227	\$ 289,203	\$ 20,842	\$ 304,055	\$ 614,100
Non-interest-bearing (4)								
Canada (5)	\$ 70,286	\$ 3,754	\$ –	\$ 74,040	\$ 62,468	\$ 3,478	\$ –	\$ 65,946
United States	1,158	31	–	1,189	1,777	15	–	1,792
Europe (6)	1,172	–	–	1,172	3,314	1	–	3,315
Other International	6,706	6	–	6,712	5,057	279	–	5,336
Interest-bearing (4)								
Canada (5)	192,736	13,529	269,395	475,660	178,478	10,895	241,902	431,275
United States	4,177	4,966	67,710	76,853	3,497	2,144	45,359	51,000
Europe (6)	31,554	606	12,270	44,430	31,118	418	9,282	40,818
Other International	3,954	3,743	9,474	17,171	3,494	3,612	7,512	14,618
	\$ 311,743	\$ 26,635	\$ 358,849	\$ 697,227	\$ 289,203	\$ 20,842	\$ 304,055	\$ 614,100

(1) Deposits payable on demand include all deposits for which we do not have the right to notice of withdrawal. These deposits include both savings and chequing accounts.

(2) Deposits payable after notice include all deposits for which we can legally require notice of withdrawal. These deposits are primarily savings accounts.

(3) Term deposits include deposits payable on a fixed date. These deposits include term deposits, guaranteed investment certificates and similar instruments. As at October 31, 2015, the balance of term deposits also includes senior deposit notes we have issued to provide long-term funding of \$191 billion (October 31, 2014 - \$150 billion).

(4) The geographical splits of the deposits are based on the point of origin of the deposits and where the revenue is recognized. As at October 31, 2015, deposits denominated in U.S. dollars, Sterling, Euro and other foreign currencies were \$235 billion, \$13 billion, \$32 billion and \$28 billion, respectively (October 31, 2014 – \$183 billion, \$11 billion, \$23 billion and \$22 billion).

(5) Certain amounts have been revised from those previously reported.

(6) Europe includes the United Kingdom, Luxembourg and the Channel Islands.

Note 14 Deposits (continued)

The following table presents the contractual maturities of our term deposit liabilities.

	As at	
	October 31 2015	October 31 2014
(Millions of Canadian dollars)		
Within 1 year:		
less than 3 months	\$ 78,735	\$ 57,840
3 to 6 months	49,900	32,880
6 to 12 months	61,096	50,300
1 to 2 years	43,674	54,354
2 to 3 years	39,809	31,559
3 to 4 years	26,792	28,946
4 to 5 years	30,184	24,673
Over 5 years	28,659	23,503
	\$ 358,849	\$ 304,055
Aggregate amount of term deposits in denominations of one hundred thousand dollars or more	\$ 331,000	\$ 270,000

The following table presents the average deposit balances and average rates of interest.

	For the year ended					
	October 31, 2015		October 31, 2014		October 31, 2013	
	Average balances	Average rates	Average balances	Average rates	Average balances	Average rates
(Millions of Canadian dollars, except for percentage amounts)						
Canada	\$ 526,544	0.98%	\$ 477,316	1.13%	\$ 435,842	1.20%
United States	70,100	0.31	52,058	0.30	44,512	0.38
Europe (1)	48,173	0.28	43,429	0.21	38,791	0.27
Other International	22,630	0.95	20,299	1.03	18,571	0.95
	\$ 667,447	0.86%	\$ 593,102	0.99%	\$ 537,716	1.06%

(1) Europe includes the United Kingdom, Luxembourg and the Channel Islands.

Note 15 Insurance

Risk management

Insurance risk is the risk of fluctuations in the timing, frequency or severity of insured events, relative to our expectations at the time of underwriting. We do not have a high degree of concentration risk due to our geographic diversity and business mix. Concentration risk is not a major concern for the life and health insurance business as it does not have a material level of regional specific characteristics like those exhibited in the property and casualty insurance business. Exposure to concentrations of insurance risks for the property and casualty business is primarily mitigated through prudent underwriting practices and diversification by product offerings and geographical areas. Reinsurance is also used for all insurance businesses to lower our risk profile and limit the liability on a single claim. We manage underwriting and pricing risk through the use of underwriting guidelines which detail the class, nature and type of business that may be accepted, pricing policies by product line and centralized control of policy wordings. The risk that claims are handled or paid inappropriately is mitigated using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures, ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance

In the ordinary course of business, our insurance operations reinsure risks to other insurance and reinsurance companies in order to lower our risk profile, limit loss exposure to large risks, and provide additional capacity for future growth. These ceding reinsurance arrangements do not relieve our insurance subsidiaries from their direct obligations to the insureds. We evaluate the financial condition of the reinsurers and monitor our concentrations of credit risks to minimize our exposure to losses from reinsurer insolvency. Reinsurance amounts (ceded premiums) included in Non-interest income are shown in the table below.

Net premiums and claims

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars)			
Gross premiums	\$ 4,721	\$ 4,962	\$ 4,785
Premiums ceded to reinsurers	(1,214)	(1,220)	(1,111)
Net premiums	\$ 3,507	\$ 3,742	\$ 3,674
Gross claims and benefits	\$ 3,237	\$ 3,692	\$ 2,768
Reinsurers' share of claims and benefits	(496)	(498)	(442)
Net claims	\$ 2,741	\$ 3,194	\$ 2,326

Insurance claims and policy benefit liabilities

All actuarial assumptions are set in conjunction with Canadian Institute of Actuaries Standards of Practice and OSFI requirements. The assumptions that have the greatest effect on the measurement of insurance liabilities, the processes used to determine them and the assumptions used as at October 31, 2015 are as follows:

Life insurance

Mortality and morbidity – Mortality estimates are based on standard industry insured mortality tables, adjusted where appropriate to reflect our own experience. Morbidity assumptions are made with respect to the rates of claim incidence and claim termination for health insurance policies and are based on a combination of industry and our own experience.

Future investment yield – Assumptions are based on the current yield rate, a reinvestment assumption and an allowance for future credit losses for each line of business, and are developed using interest rate scenario testing, including prescribed scenarios for determination of minimum liabilities as set out in the actuarial standards.

Policyholder behaviour – Under certain policies, the policyholder has a contractual right to change benefits and premiums, as well as convert policies to permanent forms of insurance. All policyholders have the right to terminate their policies through lapse. Lapses represent the termination of policies due to non-payment of premiums. Lapse assumptions are primarily based on our recent experience adjusted for emerging industry experience where applicable.

Non-life insurance

Assumptions related to unpaid claims concern the patterns of development of claims from inception to ultimate settlement. The reserving assumptions, based on historical paid/incurred development patterns adjusted for changes in products, claims processes and legislative trends, result in a collective loss ratio when compared with earned premium.

The portfolio assumptions that have the greatest effect on the net liabilities included in our Consolidated Balance Sheets are listed below:

Significant insurance assumptions

	As at	
	October 31 2015	October 31 2014
Life Insurance		
Canadian Insurance		
Mortality rates (1)	0.12%	0.12%
Morbidity rates (2)	1.69	1.82
Reinvestment yield (3)	3.45	3.15
Lapse rates (4)	0.50	0.50
International Insurance		
Mortality rates (1)	0.46	0.43
Reinvestment yield (3)	2.75	2.19
Non-life Insurance		
Expected loss ratio (5)	60.47	60.16

(1) Average annual death rate for the largest portfolio of insured policies.

(2) Average net settlement rate for the individual and group disability insurance portfolio.

(3) Ultimate reinvestment rate of the insurance operations.

(4) Ultimate policy termination rate (lapse rate) for the largest permanent life insurance portfolio that relies on higher termination rate to maintain its profitability (lapse-supported policies).

(5) Ratio of incurred claim losses and claim expenses to net premiums of the property and casualty business, measuring the profitability or loss experience on our total book of business.

The following table summarizes our gross and reinsurers' share of insurance liabilities at the end of the year.

Insurance claims and policy benefit liabilities

(Millions of Canadian dollars)	As at					
	October 31, 2015			October 31, 2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Life insurance policyholder liabilities						
Life, health and annuity	\$ 8,084	\$ 519	\$ 7,565	\$ 7,555	\$ 390	\$ 7,165
Investment contracts (1)	10	–	10	5	–	5
	\$ 8,094	\$ 519	\$ 7,575	\$ 7,560	\$ 390	\$ 7,170
Non-life insurance policyholder liabilities						
Unearned premium provision (1)	\$ 450	\$ –	\$ 450	\$ 419	\$ –	\$ 419
Unpaid claims provision	1,026	38	988	1,010	29	981
	\$ 1,476	\$ 38	\$ 1,438	\$ 1,429	\$ 29	\$ 1,400
	\$ 9,570	\$ 557	\$ 9,013	\$ 8,989	\$ 419	\$ 8,570

(1) Insurance claims and policy benefit liabilities include investment contracts and unearned premium provision, both of which are reported in Other liabilities on the Consolidated Balance Sheets.

Reconciliation of life insurance policyholder liabilities

(Millions of Canadian dollars)	October 31, 2015			October 31, 2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Balances, beginning of the year	\$ 7,560	\$ 390	\$ 7,170	\$ 7,030	\$ 300	\$ 6,730
New and in-force policies	598	129	469	621	90	531
Changes in assumption and methodology	(69)	–	(69)	(95)	–	(95)
Net change in investment contracts	5	–	5	4	–	4
Balances, end of the year	\$ 8,094	\$ 519	\$ 7,575	\$ 7,560	\$ 390	\$ 7,170

Reconciliation of non-life insurance policyholder liabilities

(Millions of Canadian dollars)	October 31, 2015			October 31, 2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Balances, beginning of the year	\$ 1,429	\$ 29	\$ 1,400	\$ 1,415	\$ 21	\$ 1,394
Changes in unearned premiums provision						
Written premiums	937	39	898	942	91	851
Less: Net premiums earned	(906)	(39)	(867)	(933)	(91)	(842)
Changes in unpaid claims provision and adjustment expenses						
Incurred claims	614	27	587	595	38	557
Less: Claims paid	(598)	(18)	(580)	(590)	(30)	(560)
Balances, end of the year	\$ 1,476	\$ 38	\$ 1,438	\$ 1,429	\$ 29	\$ 1,400

The net increase in Insurance claims and policy benefit liabilities over the prior year was comprised of the net increase in life and health, reinsurance and property and casualty liabilities attributable to business growth and market movements on assets backing life and health liabilities. During the year, we reviewed all key actuarial methods and assumptions which are used in determining the policy benefit liabilities resulting in a \$67 million net decrease to insurance liabilities comprised of: (i) a decrease of \$70 million for assumption updates due to net favourable interest rate and equity market changes; (ii) a decrease of \$22 million due to liability impacts of significant business projects; (iii) a decrease of \$12 million due to valuation system and data changes; and (iv) an increase of \$37 million arising from insurance risk related assumption updates largely due to mortality, morbidity, maintenance, property and casualty margin for adverse deviation and expense assumptions. Changes in Insurance claims and policy benefit liabilities are included in Insurance policyholder benefits, claims and acquisition expenses in our Consolidated Statements of Income in the period in which the estimates changed.

Sensitivity analysis

The following table presents the sensitivity of the level of insurance policyholder liabilities disclosed in this note to reasonably possible changes in the actuarial assumptions used to calculate them. The percentage change in variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net income. The disclosure is not intended to explain the impact of a percentage change in the insurance assets and liabilities disclosed above. The analyses are performed where a single assumption is changed while holding other assumptions constant, which is unlikely to occur in practice.

Sensitivity

(Millions of Canadian dollars, except for percentage amounts)	Change in variable	Net income impact for year ended	
		October 31 2015	October 31 2014
Increase in market interest rates ⁽¹⁾	1%	\$ –	\$ 1
Decrease in market interest rates ⁽¹⁾	1	14	(3)
Increase in equity market values	10	3	6
Decrease in equity market values	10	(2)	(3)
Increase in maintenance expenses	5	(28)	(25)
Life Insurance			
Adverse change in annuitant mortality rates	2	(117)	(72)
Adverse change in assurance mortality rates	2	(48)	(47)
Adverse change in morbidity rates	5	(156)	(156)
Adverse change in lapse rates	10	(206)	(192)
Non-life Insurance			
Increase in expected loss ratio	5	(9)	(10)

(1) Sensitivities for market interest rates have been calculated by increasing or decreasing 100 basis points at all points on the yield curve, with changes persisting for one year.

Note 16 Segregated funds

We offer certain individual variable insurance contracts that allow policyholders to invest in segregated funds. The investment returns on these funds are passed directly to the policyholders. Amounts invested are at the policyholders' risk, except where the policyholders have selected options providing maturity and death benefit guarantees. A liability for the guarantees is recorded in Insurance claims and policy benefit liabilities.

Segregated funds net assets are recorded at fair value. All of our segregated funds net assets are categorized as Level 1 in the fair value hierarchy. The fair value of the segregated funds liabilities is equal to the fair value of the segregated funds net assets. Segregated funds net assets and segregated funds liabilities are presented on separate lines on the Consolidated Balance Sheets. The following tables present the composition of net assets and the changes in net assets for the year.

Segregated funds net assets

	As at	
	October 31 2015	October 31 2014
(Millions of Canadian dollars)		
Cash	\$ –	\$ 1
Investment in mutual funds	832	675
Other liabilities, net	(2)	(1)
	\$ 830	\$ 675

Changes in net assets

	For the year ended	
	October 31 2015	October 31 2014
(Millions of Canadian dollars)		
Net assets, beginning of year	\$ 675	\$ 513
Additions (deductions):		
Deposits from policyholders	321	239
Net realized and unrealized gains	2	52
Interest and dividend	26	19
Payment to policyholders	(173)	(132)
Management and administrative fees	(21)	(16)
Net assets, end of year	\$ 830	\$ 675

Note 17 Employee benefits - Pension and other post-employment benefits

Plan characteristics

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

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

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

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

We measure our benefit obligations and pension assets as at October 31 each year. All plans are valued using the projected unit-credit method. We fund our registered defined benefit pension plans in accordance with actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations. For our primary pension plan, the most recent funding actuarial valuation was completed on January 1, 2015, and the next valuation will be completed on January 1, 2016.

For the year ended October 31, 2015, total Bank contributions to our pension plans (defined benefit and defined contribution plans) and other post-employment benefit plans were \$391 million and \$56 million (October 31, 2014 – \$537 million and \$63 million), respectively. For 2016, total contributions to our pension plans and other post-employment benefit plans are expected to be \$411 million and \$62 million, respectively.

Risks

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

Note 17 Employee benefits - Pension and other post-employment benefits (continued)

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

	As at			
	October 31, 2015		October 31, 2014	
	Defined benefit pension plans	Other post-employment benefit plans	Defined benefit pension plans	Other post-employment benefit plans
(Millions of Canadian dollars)				
Canada				
Fair value of plan assets	\$ 10,847	\$ 11	\$ 10,419	\$ 4
Present value of defined benefit obligation	10,840	1,569	10,767	1,754
Net surplus (deficit)	\$ 7	\$ (1,558)	\$ (348)	\$ (1,750)
International				
Fair value of plan assets	\$ 1,049	\$ –	\$ 932	\$ –
Present value of defined benefit obligation	1,134	88	1,038	78
Net (deficit)	\$ (85)	\$ (88)	\$ (106)	\$ (78)
Total				
Fair value of plan assets	\$ 11,896	\$ 11	\$ 11,351	\$ 4
Present value of defined benefit obligation	11,974	1,657	11,805	1,832
Total net (deficit)	\$ (78)	\$ (1,646)	\$ (454)	\$ (1,828)
Amounts recognized in our Consolidated Balance Sheets				
Employee benefit assets	\$ 245	\$ –	\$ 138	\$ –
Employee benefit liabilities	(323)	(1,646)	(592)	(1,828)
Total net (deficit)	\$ (78)	\$ (1,646)	\$ (454)	\$ (1,828)

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

	As at or for the year ended			
	October 31, 2015		October 31, 2014	
	Defined benefit pension plans (1)	Other post-employment benefit plans	Defined benefit pension plans (1)	Other post-employment benefit plans
(Millions of Canadian dollars)				
Change in fair value of plan assets				
Opening fair value of plan assets	\$ 11,351	\$ 4	\$ 10,266	\$ 3
Interest income	460	–	472	–
Remeasurements				
Return on plan assets (excluding interest income)	243	11	647	–
Change in foreign currency exchange rate	113	–	60	–
Contributions – Employer	235	56	400	63
Contributions – Plan participant	51	16	52	13
Payments	(513)	(76)	(456)	(75)
Payments – amount paid in respect of any settlements	(31)	–	(78)	–
Other	(13)	–	(12)	–
Closing fair value of plan assets	\$ 11,896	\$ 11	\$ 11,351	\$ 4
Change in present value of benefit obligation				
Opening benefit obligation	\$ 11,805	\$ 1,832	\$ 10,413	\$ 1,722
Current service costs	345	34	315	31
Past service costs	(16)	–	97	–
Interest expense	490	75	486	80
Remeasurements				
Actuarial losses (gains) from demographic assumptions	7	(176)	76	(58)
Actuarial losses (gains) from financial assumptions	(296)	(33)	830	119
Actuarial losses (gains) from experience adjustments	(7)	(27)	6	7
Change in foreign currency exchange rate	139	15	67	6
Contributions – Plan participant	51	16	52	13
Payments	(513)	(76)	(456)	(75)
Payments – amount paid in respect of any settlements	(31)	–	(78)	–
Business combinations/Disposals	–	(3)	–	(11)
Other	–	–	(3)	(2)
Closing benefit obligation	\$ 11,974	\$ 1,657	\$ 11,805	\$ 1,832
Unfunded obligation	\$ 33	\$ 332	\$ 28	\$ 1,670
Wholly or partly funded obligation	11,941	1,325	11,777	162
Total benefit obligation	\$ 11,974	\$ 1,657	\$ 11,805	\$ 1,832

(1) For pension plans with funding deficits, the benefit obligations and fair value of plan assets as at October 31, 2015 were \$1,020 million and \$709 million, respectively (October 31, 2014 – \$10,180 million and \$9,587 million, respectively).

Pension and other post-employment benefit expense

The following table presents the composition of our pension and other post-employment benefit expense.

(Millions of Canadian dollars)	For the year ended					
	Pension plans			Other post-employment benefit plans		
	October 31 2015	October 31 2014	October 31 2013	October 31 2015	October 31 2014	October 31 2013
Current service costs	\$ 345	\$ 315	\$ 298	\$ 34	\$ 31	\$ 28
Past service costs	(16)	97	(2)	–	–	(2)
Net interest expense	30	14	30	75	80	73
Remeasurements of other long term benefits	–	–	–	2	9	(5)
Administrative expense	12	13	11	–	–	–
Defined benefit pension expense	\$ 371	\$ 439	\$ 337	\$ 111	\$ 120	\$ 94
Defined contribution pension expense	156	137	117	–	–	–
	\$ 527	\$ 576	\$ 454	\$ 111	\$ 120	\$ 94

Total service costs for the year ended October 31, 2015 totalled \$335 million (October 31, 2014 – \$307 million; October 31, 2013 – \$284 million) for pension plans in Canada and \$(6) million (October 31, 2014 – \$105 million; October 31, 2013 – \$12 million) for International plans. Net interest expense for the year ended October 31, 2015 totalled \$25 million (October 31, 2014 – \$10 million; October 31, 2013 – \$26 million) for pension plans in Canada and \$5 million (October 31, 2014 – \$4 million; October 31, 2013 – \$4 million) for International plans.

Remeasurements of employee benefit plans

The following table presents the composition of our remeasurements recorded in OCI.

(Millions of Canadian dollars)	For the year ended					
	Defined benefit pension plans			Other post-employment benefit plans		
	October 31 2015	October 31 2014	October 31 2013	October 31 2015	October 31 2014	October 31 2013
Actuarial (gains) losses:						
Changes in demographic assumptions	\$ 7	\$ 76	\$ 382	\$ (174)	\$ (54)	\$ 53
Changes in financial assumptions	(296)	830	(265)	(30)	113	(62)
Experience adjustments	(7)	6	49	(34)	–	4
Return on plan assets (excluding interest based on discount rate)	(243)	(647)	(601)	(11)	–	–
	\$ (539)	\$ 265	\$ (435)	\$ (249)	\$ 59	\$ (5)

Total remeasurements recorded in OCI for the year ended October 31, 2015 were gains of \$526 million (October 31, 2014 – losses of \$238 million; October 31, 2013 – gains of \$424 million) for pension plans in Canada and gains of \$13 million (October 31, 2014 – losses of \$27 million; October 31, 2013 – gains of \$11 million) for International plans.

Investment policy and strategies

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

- (i) the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- (ii) the member demographics, including expectations for normal retirements, terminations, and deaths;
- (iii) the financial position of the pension plans;
- (iv) the diversification benefits obtained by the inclusion of multiple asset classes; and
- (v) expected asset returns, including asset and liability volatility and correlations.

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

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

During the year, investment changes and risk factor diversification continued in support of our efforts to reduce variability in the funded status. As a result, equity risk was reduced through redeployment of equity investments into a diverse mix of quality alternative investments with low correlation to equity markets, including investments in hedge funds, infrastructure, private equity and real estate. In addition, an increasing allocation to debt securities is used to reduce asset liability duration mismatch and hence variability of the plan's funded status due to interest rate changes. Longer maturity debt securities, given their price sensitivity to movements in interest rates, are considered to be a good economic

hedge to risk associated with the plan's liabilities, which are discounted using predominately long maturity bond interest rates as inputs. We expect to continue to move towards a higher weighting of debt securities as market conditions permit, to further reduce risk of variability in the funded status.

Asset allocation of defined benefit pension plans ⁽¹⁾

(Millions of Canadian dollars, except percentages)	As at					
	October 31, 2015			October 31, 2014		
	Fair value	Percentage of total plan assets	Quoted in active market ⁽²⁾	Fair value	Percentage of total plan assets	Quoted in active market ⁽²⁾
Equity securities						
Domestic	\$ 1,277	11%	100%	\$ 1,623	14%	100%
Foreign	2,645	22	98	2,530	22	100
Debt securities						
Domestic government bonds	2,232	19	–	2,199	19	–
Foreign government bonds	561	5	–	530	5	–
Corporate and other bonds	2,548	21	–	2,097	19	–
Alternative investments and other	2,633	22	8	2,372	21	11
	\$ 11,896	100%	34%	\$ 11,351	100%	39%

(1) The asset allocation is based on the underlying investments held directly and indirectly through the funds as this is how we manage our investment policy and strategies.

(2) If our assessment of quoted in an active market was based on the direct investments, 36% of our total plan assets would be classified as quoted in an active market (October 31, 2014 – 45%).

The allocation to equity securities of our pension plans in Canada is 34% (October 31, 2014 – 38%) and that of our International plans is 17% (October 31, 2014 – 18%). The allocation to debt securities of our pension plans in Canada is 44% (October 31, 2014 – 41%) and that of our International plans is 57% (October 31, 2014 – 58%). The allocation to alternative investments and other in our pension plans in Canada is 22% (October 31, 2014 – 21%) and that of our International plans is 26% (October 31, 2014 – 24%).

As at October 31, 2015, the plan assets include 1 million (October 31, 2014 – 1 million) of our common shares with a fair value of \$85 million (October 31, 2014 – \$107 million) and \$71 million (October 31, 2014 – \$39 million) of our debt securities. For the year ended October 31, 2015, dividends received on our common shares held in the plan assets were \$4 million (October 31, 2014 – \$4 million).

Maturity profile

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

(Millions of Canadian dollars, except participants and years)	As at		
	October 31, 2015		
	Canada	International	Total
Number of plan participants	73,869	9,864	83,733
Actual benefit payments 2015	\$ 447	\$ 97	\$ 544
Benefits expected to be paid 2016	514	50	564
Benefits expected to be paid 2017	540	45	585
Benefits expected to be paid 2018	564	47	611
Benefits expected to be paid 2019	587	48	635
Benefits expected to be paid 2020	607	52	659
Benefits expected to be paid 2021-2025	3,312	313	3,625
Weighted average duration of defined benefit payments	14.6 years	18.0 years	14.9 years

Significant assumptions

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

Discount rate

For the Canadian pension and other post-employment benefit plans, all future expected benefit payments at each measurement date are discounted at spot rates from a derived Aa corporate bond yield curve. The derived curve is based on observed rates for Aa corporate bonds with maturities less than six years and a projected Aa corporate curve based on spreads between observed Aa corporate bonds and Aa provincial bonds for periods greater than six years. For the International pension and other post-employment benefit plans, all future expected benefit payments at each measurement date are discounted at spot rates from an Aa corporate bond yield curve. Spot rates beyond 30 years are set to equal the 30-year spot rate. The discount rate is the equivalent single rate that produces the same discounted value as that determined using the entire discount curve. This valuation methodology does not rely on assumptions regarding reinvestment returns.

Rate of increase in future compensation

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

Healthcare cost trend rates

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

	As at					
	Defined benefit pension plans			Other post-employment benefit plans		
	October 31 2015	October 31 2014	October 31 2013	October 31 2015	October 31 2014	October 31 2013
Weighted average assumptions to determine benefit obligation						
Discount rate	4.30%	4.10%	4.60%	4.40%	4.20%	4.70%
Rate of increase in future compensation	3.30%	3.30%	3.30%	n.a.	n.a.	n.a.
Healthcare cost trend rates (1)						
– Medical	n.a.	n.a.	n.a.	4.10%	3.50%	3.80%
– Dental	n.a.	n.a.	n.a.	4.00%	4.00%	4.00%

(1) For our other post-employment benefit plans, the 2015 assumed trend rates used to measure the expected benefit costs of the defined benefit obligations are also the ultimate trend rates.
n.a. not applicable

Mortality assumptions

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

	As at							
	October 31, 2015				October 31, 2014			
	Life expectancy at 65 for a member currently at				Life expectancy at 65 for a member currently at			
	Age 65		Age 45		Age 65		Age 45	
(In years)	Male	Female	Male	Female	Male	Female	Male	Female
Country								
Canada	23.1	23.6	24.1	24.5	23.0	23.5	24.0	24.5
United States	21.2	23.2	21.7	24.1	20.6	22.9	21.1	23.4
United Kingdom	24.0	25.9	26.0	28.2	23.9	25.2	26.1	27.6

Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations for defined benefit pension and other post-employment benefit plans. The increase (decrease) in obligation in the following table has been determined assuming all other assumptions are held constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated. The following table presents the sensitivity analysis of key assumptions for 2015.

(Millions of Canadian dollars)	Defined benefit pension plans – Increase (decrease) in obligation	Other post-employment benefit plans – Increase (decrease) in obligation
Discount rate		
Impact of 50bps increase in discount rate	\$ (839)	\$ (110)
Impact of 50bps decrease in discount rate	930	124
Rate of increase in future compensation		
Impact of 50bps increase in rate of increase in future compensation	57	n.a.
Impact of 50bps decrease in rate of increase in future compensation	(57)	n.a.
Mortality rate		
Impact of an increase in longevity by one additional year	275	29
Healthcare cost trend rate		
Impact of 100bps increase in healthcare cost trend rate	n.a.	101
Impact of 100bps decrease in healthcare cost trend rate	n.a.	(82)

n.a. not applicable

Note 18 Other liabilities

(Millions of Canadian dollars)	As at	
	October 31 2015	October 31 2014
Cash collateral	\$ 15,249	\$ 10,500
Accounts payable and accrued expenses	999	2,386
Payroll and related compensation	6,358	6,582
Payable to brokers, dealers and clients	2,981	2,063
Negotiable instruments	2,309	2,416
Accrued interest payable	1,679	1,748
Deferred income	2,028	1,937
Taxes payable	1,533	1,691
Precious metals certificates	420	572
Dividends payable	1,194	1,127
Insurance related liabilities	735	617
Deferred income taxes	201	204
Provisions	512	500
Other	5,309	4,966
	\$ 41,507	\$ 37,309

Note 19 Subordinated debentures

The debentures are unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors. All redemptions, cancellations and exchanges of subordinated debentures are subject to the consent and approval of OSFI. The amounts presented below include the impact of fair value hedging for interest rate risk and are net of our holdings in these securities which have not been cancelled and are still outstanding.

(Millions of Canadian dollars, except percentage and foreign currency)	Earliest par value redemption date	Interest rate	Denominated in foreign currency (millions)	As at	
				October 31 2015	October 31 2014
Maturity					
November 14, 2014 ⁽¹⁾		10.00%		\$ –	\$ 200
November 4, 2018	November 4, 2013 ⁽²⁾	5.45% ⁽³⁾		–	–
June 15, 2020	June 15, 2015 ⁽⁴⁾	4.35% ⁽⁵⁾		–	1,491
November 2, 2020	November 2, 2015 ⁽⁶⁾	3.18% ⁽⁷⁾		1,500	1,483
June 8, 2023		9.30%		110	110
July 17, 2024 ⁽⁸⁾	July 17, 2019	3.04% ⁽⁹⁾		1,014	1,002
December 6, 2024	December 6, 2019	2.99% ⁽¹⁰⁾		2,061	1,992
June 4, 2025 ⁽⁸⁾	June 4, 2020	2.48% ⁽¹¹⁾		1,004	–
September 29, 2026 ⁽⁸⁾	September 29, 2021	3.45% ⁽¹²⁾		1,055	1,009
November 1, 2027	November 1, 2022	4.75%	TT\$300	62	53
June 26, 2037	June 26, 2017	2.86%	JPY 10,000	112	106
October 1, 2083	Any interest payment date	⁽¹³⁾		224	224
June 29, 2085	Any interest payment date	⁽¹⁴⁾	US\$174	227	196
June 18, 2103	June 18, 2009 ⁽¹⁵⁾	5.95% ⁽¹⁶⁾		–	–
				\$ 7,369	\$ 7,866
Deferred financing costs				(7)	(7)
				\$ 7,362	\$ 7,859

The terms and conditions of the debentures are as follows:

- (1) All \$200 million outstanding 10.00% subordinated debentures matured on November 14, 2014.
- (2) All \$1 billion outstanding subordinated debentures were redeemed on November 4, 2013 for 100% of their principal amount plus accrued interest to the redemption date.
- (3) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
- (4) All \$1.5 billion outstanding subordinated debentures were redeemed on June 15, 2015 for 100% of their principal amount plus accrued interest to the redemption date.
- (5) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.41% above the 90-day Bankers' Acceptance rate.
- (6) All \$1.5 billion outstanding subordinated debentures were redeemed on November 2, 2015 for 100% of their principal amount plus accrued interest to the redemption date.
- (7) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.21% above the 90-day Bankers' Acceptance rate.
- (8) The notes include non-viability contingency capital (NVCC) provisions, necessary for the notes to qualify as Tier 2 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each note is convertible into common shares pursuant to an automatic conversion formula with a multiplier of 1.5 and a conversion price based on the greater of: (i) a floor price of \$5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of shares issued is determined by dividing the par value of the note (including accrued and unpaid interest on such note) by the conversion price and then times the multiplier.
- (9) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.08% above the 90-day Bankers' Acceptance rate.
- (10) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.10% above the 90-day Bankers' Acceptance rate.
- (11) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.10% above the 90-day Bankers' Acceptance rate.
- (12) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.12% above the 90-day Bankers' Acceptance rate.
- (13) Interest at a rate of 40 basis points above the 30-day Bankers' Acceptance rate.
- (14) Interest at a rate of 25 basis points above the U.S. dollar 3-month London Interbank Mean Rate (LIMEAN). In the event of a reduction of the annual dividend we declare on our common shares, the interest payable on the debentures is reduced pro rata to the dividend reduction and the interest reduction is payable with the proceeds from the sale of newly issued common shares.
- (15) All \$600 million outstanding subordinated debentures were redeemed on June 18, 2014 for 100% of their principal amount plus accrued interest to the redemption date.
- (16) Interest at stated interest rate until earliest par value redemption date and every 5 years thereafter at a rate of 1.72% above the 5-year Government of Canada yield.

Maturity schedule

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

(Millions of Canadian dollars)	October 31 2015
5 to 10 years	\$ 5,689
Thereafter	1,680
	\$ 7,369

Note 20 Trust capital securities

We issued innovative capital instruments, RBC Trust Capital Securities (RBC TruCS), through two structured entities: RBC Capital Trust (Trust) and RBC Capital Trust II (Trust II). Trust II was wound up in 2014 after the redemption of the RBC TruCS Series 2013 (RBC TruCS 2013) on December 31, 2013.

The Trust has issued non-voting RBC TruCS Series 2010, 2011, 2015 and 2008-1 (RBC TruCS 2010, 2011, 2015 and 2008-1). RBC TruCS 2010 and 2011 were redeemed in 2010 and 2011, respectively.

The holders of RBC TruCS 2015 and 2008-1 do not have any conversion rights or any other redemption rights. As a result, upon consolidation of the Trust, RBC TruCS 2015 and 2008-1 are classified as non-controlling interests. Holders of RBC TruCS 2015 and 2008-1 are eligible to receive semi-annual non-cumulative fixed cash distributions until December 31, 2015 and June 30, 2018, respectively, and a floating-rate cash distribution thereafter.

No cash distributions will be payable by the Trust on RBC TruCS if we fail to declare regular dividends (i) on our preferred shares, or (ii) on our common shares if no preferred shares are then outstanding. In this case, the net distributable funds of the Trust will be distributed to us as holders of residual interest in the Trust. Should the Trust fail to pay the semi-annual distributions in full, we will not declare dividends of any kind on any of our preferred or common shares for a specified period of time.

The table below presents the significant terms and conditions of RBC TruCS.

Significant terms and conditions of RBC Trust Capital Securities

(Millions of Canadian dollars, except for percentage amounts)	Issuance date	Distribution dates	Annual yield	Earliest redemption date		Conversion date		As at	
				At the option of the issuer	At the option of the holder	October 31 2015 Principal amount	October 31 2014 Principal amount		
RBC Capital Trust (1),(2),(3),(4),(5),(6),(7)									
Included in Non-controlling interests									
1,200,000 Trust Capital Securities – Series 2015	October 28, 2005	June 30, December 31	4.87% (8)	December 31, 2010	n.a.	\$ 1,200	\$ 1,200		
500,000 Trust Capital Securities – Series 2008-1	April 28, 2008	June 30, December 31	6.82% (8)	June 30, 2013	n.a.	500	500		
RBC Capital Trust II (2),(3),(4),(5),(6),(7),(9)									
Included in Deposits									
900,000 Trust Capital Securities – Series 2013 (10)	July 23, 2003	June 30, December 31	5.812%	December 31, 2008	Any time	\$ –	\$ –		

The significant terms and conditions of the RBC TruCS are as follows:

- Subject to the approval of OSFI, the Trust may, on the earliest redemption date specified above, and on any distribution date thereafter, redeem in whole (but not in part) the RBC TruCS 2008-1 and 2015, without the consent of the holders.
- Subject to the approval of OSFI, upon occurrence of a special event as defined, prior to the earliest redemption date specified above, the trusts may redeem in whole (but not in part) the RBC TruCS 2008-1, 2013 or 2015 without the consent of the holders.
- Issuer Redemption Price: The RBC TruCS 2008-1 may be redeemed for cash equivalent to (i) the Early Redemption Price if the redemption occurs prior to June 30, 2018 or (ii) the Redemption Price if the redemption occurs on or after June 30, 2018. The RBC TruCS 2013 and 2015 may be redeemed for cash equivalent to (i) the Early Redemption Price if the redemption occurs prior to December 31, 2013 and 2015, respectively, or (ii) the Redemption Price if the redemption occurs on or after December 31, 2013 and 2015, respectively. Redemption Price refers to an amount equal to \$1,000 plus the unpaid distributions to the redemption date. Early Redemption Price refers to an amount equal to the greater of (i) the Redemption Price and (ii) the price calculated to provide an annual yield, equal to the yield on a Government of Canada bond issued on the redemption date with a maturity date of June 30, 2018, plus 77 basis points, for RBC TruCS 2008-1, and a maturity date of December 31, 2013 and 2015, plus 23 basis points and 19.5 basis points, for RBC TruCS 2013 and 2015, respectively.
- Automatic Exchange Event: Without the consent of the holders, each RBC TruCS 2008-1, 2013 and 2015 will be exchanged automatically for 40 of our non-cumulative redeemable First Preferred Shares Series A1, T and Z, respectively, upon occurrence of any one of the following events: (i) proceedings are commenced for our winding-up; (ii) OSFI takes control of us; (iii) we have Tier 1 capital ratio of less than 5% or Total capital ratio of less than 8%; or (iv) OSFI has directed us to increase our capital or provide additional liquidity and we elect such automatic exchange or we fail to comply with such direction. The First Preferred Shares Series A1, T and Z pay semi-annual non-cumulative cash dividends and Series T is convertible at the option of the holder into a variable number of common shares.
- From time to time, we purchase some of the innovative capital instruments and hold them temporarily. As at October 31, 2015, we held an insignificant amount of RBC TruCS 2015 (October 31, 2014 – \$9 million) and \$6 million of the RBC TruCS 2008-1 (October 31, 2014 – \$3 million) as treasury holdings which were deducted from regulatory capital.
- Regulatory capital: In accordance with OSFI Capital Adequacy Requirements, effective January 2013, RBC TruCS no longer qualify as additional Tier 1 capital due to their lack of non-viability contingent capital terms and conditions. As such, outstanding RBC TruCS are being phased out of regulatory capital in accordance with OSFI guidelines.
- Holder Exchange Right: Holders of RBC TruCS 2013 may, at any time, exchange all or part of their holdings for 40 non-cumulative redeemable First Preferred Shares Series U, for each RBC TruCS 2013 held. The First Preferred Shares Series U pay semi-annual non-cumulative cash dividends as and when declared by our Board of Directors and are convertible at the option of the holder into a variable number of common shares. Holders of RBC TruCS 2008-1 and RBC TruCS 2015 do not have similar exchange rights.
- The non-cumulative cash distribution on the RBC TruCS 2015 will be 4.87% paid semi-annually until December 31, 2015, and at one half of the sum of 180-day Bankers' Acceptance rate plus 1.5%, thereafter. The non-cumulative cash distribution on the RBC TruCS 2008-1 will be 6.82% paid semi-annually until June 30, 2018, and at one half of the sum of 180-day Bankers' Acceptance rate plus 3.5% thereafter.
- Subject to the approval of OSFI, Trust II may, in whole or in part, on the redemption date specified above, and on any distribution date thereafter, redeem any outstanding RBC TruCS 2013 without the consent of the holders.
- On December 31, 2013, Trust II redeemed all \$900 million principal amount of RBC TruCS 2013 for cash at a redemption price of \$1,000 per unit.

n.a. not applicable

Share capital
Authorized share capital

Preferred – An unlimited number of First Preferred Shares and Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares that may be issued may not exceed \$20 billion and \$5 billion, respectively.

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

Outstanding share capital

The following table details our common and preferred shares outstanding.

	As at					
	October 31, 2015			October 31, 2014		
	Number of shares (thousands)	Amount	Dividends declared per share	Number of shares (thousands)	Amount	Dividends declared per share
<i>(Millions of Canadian dollars, except the number of shares and dividends per share)</i>						
Preferred shares						
First preferred (1)						
Non-cumulative, fixed rate						
Series W	12,000	\$ 300	\$ 1.23	12,000	\$ 300	\$ 1.23
Series AA	12,000	300	1.11	12,000	300	1.11
Series AB	12,000	300	1.18	12,000	300	1.18
Series AC	8,000	200	1.15	8,000	200	1.15
Series AD	10,000	250	1.13	10,000	250	1.13
Series AE	10,000	250	1.13	10,000	250	1.13
Series AF	8,000	200	1.11	8,000	200	1.11
Series AG	10,000	250	1.13	10,000	250	1.13
Series BH	6,000	150	0.58	–	–	–
Series BI	6,000	150	0.42	–	–	–
Series BJ	6,000	150	–	–	–	–
Non-cumulative, 5-Year Rate Reset						
Series AJ (2)	13,579	339	0.88	13,579	339	0.97
Series AL	12,000	300	1.07	12,000	300	1.15
Series AN (3)	–	–	–	–	–	0.39
Series AP (3)	–	–	–	–	–	0.39
Series AR (3)	–	–	–	–	–	0.39
Series AT (4)	–	–	–	–	–	1.17
Series AV (4)	–	–	–	–	–	1.17
Series AX (5)	–	–	–	13,000	325	1.53
Series AZ	20,000	500	1.00	20,000	500	0.50
Series BB	20,000	500	0.98	20,000	500	0.46
Series BD	24,000	600	0.73	–	–	–
Series BF	12,000	300	0.63	–	–	–
Non-cumulative, floating rate						
Series AK (2)	2,421	61	0.67	2,421	61	0.53
		\$ 5,100			\$ 4,075	
Common shares						
Balance at beginning of year	1,442,233	\$ 14,511		1,441,056	\$ 14,377	
Issued under the stock option plan (6)	1,190	62		2,723	150	
Purchased for cancellation (7)	–	–		(1,546)	(16)	
Balance at end of year	1,443,423	\$ 14,573	\$ 3.08	1,442,233	\$ 14,511	\$ 2.84
Treasury shares – Preferred shares						
Balance at beginning of year	1	\$ –		47	\$ 1	
Sales	4,736	117		4,919	124	
Purchases	(4,800)	(119)		(4,965)	(125)	
Balance at end of year	(63)	\$ (2)		1	\$ –	
Treasury shares – Common shares						
Balance at beginning of year	892	\$ 71		666	\$ 41	
Sales	78,852	6,098		70,684	5,333	
Purchases	(79,212)	(6,131)		(70,458)	(5,303)	
Balance at end of year	532	\$ 38		892	\$ 71	

(1) First Preferred Shares Series were issued at \$25 per share.

(2) On February 24, 2014, we issued 2.4 million Non-Cumulative Floating Rate First Preferred Shares, Series AK, totalling \$61 million through a holder option, one-for-one conversion of some of our Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AJ.

(3) On February 24, 2014, we redeemed all issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AN (9 million shares), Series AP (11 million shares), and Series AR (14 million shares) for cash at a redemption price of \$25 per share.

(4) On August 24, 2014, we redeemed all issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AT (11 million shares) and Series AV (16 million shares) for cash at a redemption price of \$25 per share.

(5) On November 24, 2014, we redeemed all 13 million of issued and outstanding Non-Cumulative 5-year Rate Reset First Preferred Shares Series AX for cash at a redemption price of \$25 per share.

(6) Includes fair value adjustments to stock options of \$7 million (2014 – \$16 million).

(7) During the year ended October 31, 2015, we did not purchase any common shares for cancellation. During the year ended October 31, 2014, we purchased for cancellation common shares at an average cost of \$72.64 per share with a book value of \$10.03 per share.

Significant terms and conditions of preferred shares

As at October 31, 2015	Initial Period Annual Yield	Premium	Current Dividend per share (1)	Earliest redemption date (2)	Issue Date	Redemption price (2), (3)
Preferred shares						
First preferred						
Non-cumulative, fixed rate						
Series W ⁽⁴⁾	4.90%		\$.306250	February 24, 2010	January 31, 2005	\$ 25.00
Series AA	4.45%		.278125	May 24, 2011	April 4, 2006	25.00
Series AB	4.70%		.293750	August 24, 2011	July 20, 2006	25.00
Series AC	4.60%		.287500	November 24, 2011	November 1, 2006	25.25
Series AD	4.50%		.281250	February 24, 2012	December 13, 2006	25.25
Series AE	4.50%		.281250	February 24, 2012	January 19, 2007	25.25
Series AF	4.45%		.278125	May 24, 2012	March 14, 2007	25.25
Series AG	4.50%		.281250	May 24, 2012	April 26, 2007	25.25
Series BH ⁽⁵⁾	4.90%		.577260	November 24, 2020	June 5, 2015	26.00
Series BI ⁽⁵⁾	4.90%		.419520	November 24, 2020	July 22, 2015	26.00
Series BJ ⁽⁵⁾	5.25%		–	February 24, 2021	October 2, 2015	26.00
Non-cumulative, 5-Year Rate Reset ⁽⁶⁾						
Series AJ	5.00%	1.93%	.220000	February 24, 2014	September 16, 2008	25.00
Series AL	5.60%	2.67%	.266250	February 24, 2014	November 3, 2008	25.00
Series AZ ⁽⁵⁾	4.00%	2.21%	.250000	May 24, 2019	January 30, 2014	25.00
Series BB ⁽⁵⁾	3.90%	2.26%	.243750	August 24, 2019	June 3, 2014	25.00
Series BD ⁽⁵⁾	3.60%	2.74%	.225000	May 24, 2020	January 30, 2015	25.00
Series BF ⁽⁵⁾	3.60%	2.62%	.225000	November 24, 2020	March 13, 2015	25.00
Non-cumulative, floating rate						
Series AK ⁽⁷⁾		1.93%	.156463	February 24, 2019	February 24, 2014	25.00

- (1) Non-cumulative preferential dividends of each Series are payable quarterly, as and when declared by the Board of Directors, on or about the 24th day of February, May, August and November.
- (2) Subject to the consent of OSFI and the requirements of the *Bank Act* (Canada), we may, on or after the dates specified above, redeem First Preferred Shares. In the case of Series AJ, AL, AZ, BB, BD, BF and AK, these may be redeemed for cash at a price per share of \$25 if redeemed on the earliest redemption date and on the same date every fifth year thereafter. In the case of Series W, AA, AB, AC, AD, AE, AF, AG, BH, BI and BJ, these may be redeemed for cash at a price per share of \$26 if redeemed during the 12 months commencing on the earliest redemption date and decreasing by \$0.25 each 12-month period thereafter to a price per share of \$25 if redeemed four years from the earliest redemption date or thereafter.
- (3) Subject to the consent of OSFI and the requirements of the *Bank Act* (Canada), we may purchase the First Preferred Shares of each Series for cancellation at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.
- (4) Subject to the approval of the Toronto Stock Exchange, we may, on or after February 24, 2010, convert First Preferred Shares Series W into our common shares. First Preferred Shares Series W may be converted into that number of common shares determined by dividing the current redemption price by the greater of \$2.50 and 95% of the weighted average trading price of common shares at such time.
- (5) The preferred shares include non-viability contingency capital (NVCC) provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each preferred share is convertible into common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a floor price of \$5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of shares issued is determined by dividing the preferred share value (\$25.00 plus declared and unpaid dividends) by the conversion price.
- (6) The dividend rate will reset on the earliest redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus the premium indicated. The holders have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the three-month Government of Canada Treasury Bill rate plus the premium indicated.
- (7) The dividend rate is equal to the three-month Government of Canada Treasury Bill rate plus the premium indicated. The holders have the option to convert their shares into non-cumulative First Preferred Shares, Series AJ subject to certain conditions on February 24, 2019 and every fifth year thereafter.

Restrictions on the payment of dividends

We are prohibited by the *Bank Act* (Canada) from declaring any dividends on our preferred or common shares when we are, or would be placed as a result of the declaration, in contravention of the capital adequacy and liquidity regulations or any regulatory directives issued under the Act. We may not pay dividends on our common shares at any time unless all dividends to which preferred shareholders are then entitled have been declared and paid or set apart for payment. We have agreed that if the Trust fails to pay any required distribution on the trust capital securities in full, we will not declare dividends of any kind on any of our preferred or common shares. Refer to Note 20.

Currently, these limitations do not restrict the payment of dividends on our preferred or common shares.

Dividend reinvestment plan

Our dividend reinvestment plan (DRIP) provides common and preferred shareholders with a means to receive additional common shares rather than cash dividends. The plan is only open to shareholders residing in Canada or the United States. The requirements of our DRIP are satisfied through either open market share purchases or shares issued from treasury. During 2015 and 2014, the requirements of our DRIP were satisfied through open market share purchases.

Shares available for future issuances

As at October 31, 2015, 43.3 million common shares are available for future issue relating to our DRIP and potential exercise of stock options outstanding. In addition, we may issue up to 38.9 million common shares from treasury under the RBC Umbrella Savings and Securities Purchase Plan that was approved by shareholders on February 26, 2009.

Non-controlling interests

	As at	
	October 31 2015	October 31 2014
(Millions of Canadian dollars)		
RBC Trust Capital Securities (1)		
Series 2015	\$ 1,219	\$ 1,211
Series 2008-1	505	508
Other	74	94
	\$ 1,798	\$ 1,813

(1) As at October 31, 2015, RBC TruCS Series 2015 includes \$20 million of accrued interest (October 31, 2014 – \$20 million), net of an insignificant amount of treasury holdings (October 31, 2014 – \$9 million). Series 2008-1 includes \$11 million of accrued interest (October 31, 2014 – \$11 million), net of \$6 million of treasury holdings (October 31, 2014 – \$3 million).

Note 22 Share-based compensation
Stock option plans

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

The compensation expense recorded for the year ended October 31, 2015, in respect of the stock option plans was \$6 million (October 31, 2014 – \$7 million; October 31, 2013 – \$7 million). The compensation expense related to non-vested options was \$3 million at October 31, 2015 (October 31, 2014 – \$4 million; October 31, 2013 – \$5 million), to be recognized over the weighted average period of 1.8 years (October 31, 2014 – 1.4 years; October 31, 2013 – 1.1 years).

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

A summary of our stock option activity and related information

	October 31, 2015		October 31, 2014		October 31, 2013	
	Number of options (thousands)	Weighted average exercise price	Number of options (thousands)	Weighted average exercise price	Number of options (thousands)	Weighted average exercise price
(Canadian dollars per share except share amounts)						
Outstanding at beginning of year	8,579	\$ 52.36	10,604	\$ 50.39	12,304	\$ 48.12
Granted	803	78.59	705	69.17	906	58.65
Exercised (1), (2)	(1,190)	46.44	(2,723)	49.03	(2,528)	42.22
Forfeited in the year	(10)	70.25	(7)	52.92	(78)	53.27
Outstanding at end of year	8,182	\$ 55.78	8,579	\$ 52.36	10,604	\$ 50.39
Exercisable at end of year	5,231	\$ 50.75	4,987	\$ 49.60	5,711	\$ 47.80
Available for grant	10,649		11,443		12,140	

(1) Cash received for options exercised during the year was \$55 million (October 31, 2014 – \$133 million; October 31, 2013 – \$107 million) and the weighted average share price at the date of exercise was \$76.87 (October 31, 2014 – \$74.27; October 31, 2013 – \$63.17).

(2) New shares were issued for all stock options exercised in 2015, 2014 and 2013. See Note 21.

Options outstanding as at October 31, 2015 by range of exercise price:

	Options outstanding			Options exercisable	
	Number outstanding (thousands)	Weighted average exercise price (1)	Weighted average remaining contractual life (years)	Number exercisable (thousands)	Weighted average exercise price (1)
(Canadian dollars per share except share amounts)					
\$35.37 – \$48.93	1,799	\$ 43.11	4.78	1,236	\$ 40.46
\$50.55 – \$52.94	1,908	52.67	3.87	1,908	52.67
\$54.99 – \$57.90	2,087	55.09	3.40	2,087	55.09
\$58.65 – \$78.59	2,388	68.41	8.08	–	–
	8,182	\$ 55.78	5.18	5,231	\$ 50.75

(1) The weighted average exercise prices have been revised to reflect the conversion of foreign currency-denominated options at the exchange rate as of October 31, 2015.

The weighted average fair value of options granted during the year ended October 31, 2015 was estimated at \$6.75 (October 31, 2014 – \$7.19; October 31, 2013 – \$5.33). This was determined by applying the Black-Scholes model on the date of grant, taking into account the specific terms and conditions under which the options are granted, such as the vesting period and expected share price volatility estimated by considering both historic average share price volatility and implied volatility derived from traded options over our common shares of similar maturity to those of the employee options. The following assumptions were used to determine the fair value of options granted:

Weighted average assumptions

(Canadian dollars per share except percentages)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Share price at grant date	\$ 77.58	\$ 68.75	\$ 58.65
Risk-free interest rate	1.40%	1.95%	1.38%
Expected dividend yield	3.76%	3.94%	4.19%
Expected share price volatility	17%	18%	18%
Expected life of option	6 years	6 years	6 years

Employee savings and share ownership plans

We offer many employees an opportunity to own our common shares through savings and share ownership plans. Under these plans, the employees can generally contribute between 1% and 10% of their annual salary or benefit base for commissioned based employees. For each contribution between 1% and 6%, we will match 50% of the employee contributions in our common shares. For the RBC Dominion Securities Savings Plan, our maximum annual contribution is \$4,500 per employee. For the RBC U.K. Share Incentive Plan, our maximum annual contribution is £1,500 per employee. For the year ended October 31, 2015, we contributed \$88 million (October 31, 2014 – \$85 million; October 31, 2013 – \$77 million), under the terms of these plans, towards the purchase of our common shares. As at October 31, 2015, an aggregate of 37 million common shares were held under these plans (October 31, 2014 – 38 million common shares; October 31, 2013 – 38 million common shares).

Deferred share and other plans

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

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

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

We maintain a non-qualified deferred compensation plan for key employees in the United States under an arrangement called the RBC U.S. Wealth Accumulation Plan. This plan allows eligible employees to defer a portion of their annual income and allocate the deferrals among various fund choices, which include a share unit fund that tracks the value of our common shares. Certain deferrals may also be eligible for matching contributions, all of which are allocated to the RBC share unit fund.

Our liabilities for the awards granted under the deferred share and other plans are measured at fair value, determined based on the quoted market price of our common shares. The following tables present our obligations under the deferred share and other plans, and the related compensation expenses (recoveries) recognized for the year.

Obligation under deferred share and other plans

(Millions of Canadian dollars except units and per unit amounts)	October 31, 2015			October 31, 2014			October 31, 2013		
	Units granted during the year		Units outstanding at the end of the year	Units granted during the year		Units outstanding at the end of the year	Units granted during the year		Units outstanding at the end of the year
	Number granted (thousands)	Weighted average fair value	Carrying amount	Number granted (thousands)	Weighted average fair value	Carrying amount	Number granted (thousands)	Weighted average fair value	Carrying amount
Deferred share unit plans	343	\$ 69.68	\$ 334	315	\$ 71.57	\$ 333	265	\$ 60.83	\$ 307
Deferred bonus plan	5,849	75.60	1,442	5,339	78.97	1,585	5,215	69.45	1,517
Performance deferred share award plans	2,049	77.69	429	2,181	68.09	503	2,337	58.62	440
RBC U.S. Wealth Accumulation Plan	64	79.52	313	69	74.68	343	374	61.23	301
Other share-based plans	879	76.44	114	845	70.32	118	809	60.47	76
	9,184	\$ 75.95	\$ 2,632	8,749	\$ 75.12	\$ 2,882	9,000	\$ 65.23	\$ 2,641

Compensation expenses recognized under deferred share and other plans

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars)			
Deferred share unit plans	\$ (1)	\$ 61	\$ 53
Deferred bonus plan	(139)	121	284
Performance deferred share award plans	135	243	249
RBC U.S. Wealth Accumulation Plan	36	147	211
Other share-based plans	39	65	46
	\$ 70	\$ 637	\$ 843

Note 23 Income and expenses from selected financial instruments

Gains and losses arising from financial instruments held at FVTPL, except for those supporting our insurance operations, are reported in Non-interest income. Related interest and dividend income are reported in Net interest income.

Net gains (losses) from financial instruments held at fair value through profit or loss ⁽¹⁾

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars)			
Net gains (losses)			
Classified as at fair value through profit or loss ⁽²⁾	\$ (218)	\$ 922	\$ 875
Designated as at fair value through profit or loss ⁽³⁾	750	(132)	(30)
	\$ 532	\$ 790	\$ 845
By product line			
Interest rate and credit	\$ 149	\$ 603	\$ 593
Equities	(89)	(190)	(55)
Foreign exchange and commodities	472	377	307
	\$ 532	\$ 790	\$ 845

(1) The following related to our insurance operations are excluded from Non-interest income and included in Insurance premiums, investment and fee income in the Consolidated Statements of Income: Net gains (losses) from financial instruments designated as at FVTPL of \$51 million (October 31, 2014 – \$515 million; October 31, 2013 – \$(496) million).

(2) Excludes derivatives designated in a hedging relationship. Refer to Note 8 for net gains (losses) on these derivatives.

(3) For the year ended October 31, 2015, \$1,118 million of net fair value gains on financial liabilities designated as at FVTPL, other than those attributable to changes in our own credit risk, were included in Non-interest income (October 31, 2014 – losses of \$414 million).

Net interest income from financial instruments ⁽¹⁾

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars)			
Interest income			
Financial instruments held as at fair value through profit or loss	\$ 4,810	\$ 4,246	\$ 3,959
Other categories of financial instruments ⁽²⁾	17,919	17,773	17,189
	22,729	22,019	21,148
Interest expense			
Financial instruments held as at fair value through profit or loss	\$ 2,621	\$ 2,198	\$ 2,260
Other categories of financial instruments	5,337	5,705	5,639
	7,958	7,903	7,899
Net interest income	\$ 14,771	\$ 14,116	\$ 13,249

(1) The following related to our insurance operations are excluded from Net-interest income and included in Insurance premiums, investment and fee income in the Consolidated Statements of Income: Interest income of \$449 million (October 31, 2014 – \$435 million; October 31, 2013 – \$470 million), and Interest expense of \$3 million (October 31, 2014 – \$nil; October 31, 2013 – \$nil).

(2) Refer to Note 5 for interest income accrued on impaired financial assets.

Income from other categories of financial instruments ^{(1), (2)}

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars)			
Net gains (losses) arising from financial instruments measured at amortized cost ⁽³⁾	\$ (6)	\$ (7)	\$ –
Net fee income which does not form an integral part of the effective interest rate of financial assets and liabilities	4,604	4,190	3,869
Net fee income arising from trust and other fiduciary activities	9,587	9,138	7,990

(1) Refer to Note 4 for net gains (losses) on AFS securities.

(2) Refer to Note 4 for impairment losses on AFS and held-to-maturity securities, and Note 5 for impairment losses on loans.

(3) Financial instruments measured at amortized cost include held-to-maturity securities, loans and financial liabilities measured at amortized cost.

The components of tax expense are as follows.

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Income taxes (recoveries) in Consolidated Statements of Income			
Current tax			
Tax expense for current year	\$ 2,244	\$ 2,858	\$ 2,516
Adjustments for prior years	91	(64)	(289)
Recoveries arising from previously unrecognized tax loss, tax credit or temporary difference of a prior period	(5)	(4)	(2)
	2,330	2,790	2,225
Deferred tax			
Origination and reversal of temporary difference	312	(156)	(100)
Effects of changes in tax rates	35	(3)	(1)
Adjustments for prior years	(74)	74	(5)
Recoveries arising from previously unrecognized tax loss, tax credit or temporary difference of a prior period	(6)	(3)	(46)
Write-down	–	4	32
	267	(84)	(120)
	2,597	2,706	2,105
Income taxes (recoveries) in Consolidated Statements of Comprehensive Income and Changes in Equity			
Other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities	(22)	70	3
Reclassification of net losses (gains) on available-for-sale securities to income	(12)	(12)	(20)
Unrealized foreign currency translation gains (losses)	8	5	2
Net foreign currency translation gains (losses) from hedging activities	(1,140)	(561)	(322)
Reclassification of losses (gains) on net investment hedging activities to income	38	1	–
Net gains (losses) on derivatives designated as cash flow hedges	(193)	(39)	(4)
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income	117	10	(11)
Remeasurements of employee benefit plans	206	(88)	121
Net fair value change due to credit risk on financial liabilities designated as at fair value through profit or loss	127	(22)	–
Issuance costs	(7)	(7)	–
	(878)	(643)	(231)
Total income taxes	\$ 1,719	\$ 2,063	\$ 1,874

Our effective tax rate changed from 23.1% for 2014 to 20.6% for 2015, principally due to net favourable tax adjustments related to prior years recorded in 2015, which are presented in Other in the table below.

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

Reconciliation to statutory tax rate

(Millions of Canadian dollars, except for percentage amounts)	For the year ended					
	October 31, 2015		October 31, 2014		October 31, 2013	
Income taxes at Canadian statutory tax rate	\$ 3,320	26.3%	\$ 3,080	26.3%	\$ 2,737	26.2%
Increase (decrease) in income taxes resulting from						
Lower average tax rate applicable to subsidiaries	(116)	(0.9)	(272)	(2.3)	(190)	(1.8)
Tax-exempt income from securities	(452)	(3.6)	(386)	(3.3)	(294)	(2.8)
Tax rate change	35	0.3	(3)	–	(1)	–
Effect of previously unrecognized tax loss, tax credit or temporary differences	(11)	(0.1)	(7)	(0.1)	(48)	(0.5)
Other	(179)	(1.4)	294	2.5	(99)	(1.0)
Income taxes in Consolidated Statements of Income / effective tax rate	\$ 2,597	20.6%	\$ 2,706	23.1%	\$ 2,105	20.1%

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

Significant components of deferred tax assets and liabilities

	As at October 31, 2015							Net Asset October 31, 2015
	Net Asset November 1, 2014	Change through equity	Change through profit or loss	Exchange rate differences	Acquisitions/ disposals	Other		
(Millions of Canadian dollars)								
Net deferred tax asset/(liability)								
Allowance for credit losses	\$ 376	\$ –	\$ (2)	\$ (2)	\$ –	\$ –	\$ –	\$ 372
Deferred compensation	1,513	–	(375)	158	–	–	–	1,296
Business realignment charges	9	–	(4)	1	–	–	–	6
Tax loss carryforwards	44	2	4	4	–	–	–	54
Deferred income	120	–	27	–	–	–	–	147
Available-for-sale securities	30	(8)	(13)	3	–	–	–	12
Premises and equipment	(322)	–	50	2	1	–	–	(269)
Deferred expense	(98)	9	3	–	–	–	–	(86)
Pension and post-employment related	566	(201)	46	1	–	–	–	412
Intangibles	(282)	–	31	(19)	–	–	–	(270)
Other	222	–	(34)	10	(1)	–	–	197
	\$ 2,178	\$ (198)	\$ (267)	\$ 158	\$ –	\$ –	\$ –	\$ 1,871
Comprising								
Deferred tax assets	\$ 2,382							\$ 2,072
Deferred tax liabilities	(204)							(201)
	\$ 2,178							\$ 1,871
As at October 31, 2014								
	Net Asset November 1, 2013	Change through equity	Change through profit or loss	Exchange rate differences	Acquisitions/ disposals	Other		Net Asset October 31, 2014
(Millions of Canadian dollars)								
Net deferred tax asset/(liability)								
Allowance for credit losses	\$ 413	\$ –	\$ (37)	\$ –	\$ –	\$ –	\$ –	\$ 376
Deferred compensation	1,290	–	151	72	–	–	–	1,513
Business realignment charges	6	–	3	–	–	–	–	9
Tax loss carryforwards	62	–	(19)	1	–	–	–	44
Deferred income	42	–	78	–	–	–	–	120
Available-for-sale securities	102	(49)	(19)	(4)	–	–	–	30
Premises and equipment	(227)	–	(99)	4	–	–	–	(322)
Deferred expense	(80)	7	(25)	–	–	–	–	(98)
Pension and post-employment related	492	88	(16)	2	–	–	–	566
Intangibles	(279)	–	5	(8)	–	–	–	(282)
Other	150	–	62	10	–	–	–	222
	\$ 1,971	\$ 46	\$ 84	\$ 77	\$ –	\$ –	\$ –	\$ 2,178
Comprising								
Deferred tax assets	\$ 2,141							\$ 2,382
Deferred tax liabilities	(170)							(204)
	\$ 1,971							\$ 2,178

The tax loss carryforwards amount of deferred tax assets relates to losses in our Caribbean, U.K., U.S. and Japanese operations. Deferred tax assets of \$54 million were recognized at October 31, 2015 (October 31, 2014 – \$44 million) in respect of tax losses incurred in current or preceding years for which recognition is dependent on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilize the deferred tax assets. The forecasts rely on continued liquidity and capital support to our business operations, including tax planning strategies implemented in relation to such support.

As at October 31, 2015, unused tax losses, tax credits and deductible temporary differences of \$525 million, \$356 million and \$6 million (October 31, 2014 – \$532 million, \$267 million and \$7 million) available to be offset against potential tax adjustments or future taxable income were not recognized as deferred tax assets. This amount includes unused tax losses of \$158 million which expire within one year (October 31, 2014 – \$nil), \$28 million which expire in two to four years (October 31, 2014 - \$167 million), and \$339 million which expire after four years (October 31, 2014 – \$365 million). There are \$11 million of tax credits that will expire in two to four years (October 31, 2014 - \$6 million) and \$345 million that will expire after four years (October 31, 2014 – \$261 million). In addition, there are deductible temporary differences of \$1 million that will expire within one year (October 31, 2014 - \$nil) and \$5 million that will expire after four years (October 31, 2014 – \$7 million).

The amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognized in the parent bank is \$11.2 billion as at October 31, 2015 (October 31, 2014 – \$9.0 billion).

Note 25 Earnings per share

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
(Millions of Canadian dollars, except share and per share amounts)			
Basic earnings per share			
Net Income	\$ 10,026	\$ 9,004	\$ 8,342
Preferred share dividends	(191)	(213)	(253)
Net income attributable to non-controlling interest	(101)	(94)	(98)
Net income available to common shareholders	9,734	8,697	7,991
Weighted average number of common shares (in thousands)	1,442,935	1,442,553	1,443,735
Basic earnings per share (in dollars)	\$ 6.75	\$ 6.03	\$ 5.53
Diluted earnings per share			
Net income available to common shareholders	\$ 9,734	\$ 8,697	\$ 7,991
Dilutive impact of exchangeable shares	15	21	53
Net income available to common shareholders including dilutive impact of exchangeable shares	9,749	8,718	8,044
Weighted average number of common shares (in thousands)	1,442,935	1,442,553	1,443,735
Stock options ⁽¹⁾	2,446	2,938	2,320
Issuable under other share-based compensation plans	–	–	74
Exchangeable shares ⁽²⁾	4,128	6,512	20,400
Average number of diluted common shares (in thousands)	1,449,509	1,452,003	1,466,529
Diluted earnings per share (in dollars)	\$ 6.73	\$ 6.00	\$ 5.49

- (1) The dilutive effect of stock options was calculated using the treasury stock method. When the exercise price of options outstanding is greater than the average market price of our common shares, the options are excluded from the calculation of diluted earnings per share. For the year ended October 31, 2015, an average of 703,808 outstanding options with an average exercise price of \$78.59 were excluded from the calculation of diluted earnings per share; for the years ended October 31, 2014 and 2013 – no outstanding options were excluded from the calculation of diluted earnings per share.
- (2) Includes exchangeable preferred shares and trust capital securities.

Note 26 Guarantees, commitments, pledged assets and contingencies

Guarantees and commitments

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

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

	Maximum exposure to credit losses	
	As at October 31 2015	October 31 2014
(Millions of Canadian dollars)		
Financial guarantees		
Financial standby letters of credit	\$ 17,494	\$ 17,208
Commitments to extend credit		
Backstop liquidity facilities ⁽¹⁾	40,387	32,183
Credit enhancements ⁽¹⁾	3,348	2,530
Documentary and commercial letters of credit	216	180
Other commitments to extend credit	172,924	137,623
Other credit-related commitments		
Securities lending indemnifications	74,239	62,319
Performance guarantees	6,042	6,115
Other	221	110

- (1) Amounts have been revised from those previously reported.

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

Financial guarantees

Financial standby letters of credit

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

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

Commitments to extend credit

Backstop liquidity facilities

Backstop liquidity facilities are provided to asset-backed commercial paper conduit programs administered by us and third parties, as an alternative source of financing in the event that such programs are unable to access commercial paper markets, or in limited circumstances, when predetermined performance measures of the financial assets owned by these programs are not met. The average remaining term of these liquidity facilities is approximately three years.

Backstop liquidity facilities are also provided to non-asset backed programs such as variable rate demand notes issued by third parties. These standby facilities provide liquidity support to the issuer to buy the notes if the issuer is unable to remarket the notes, as long as the instrument and/or the issuer maintain the investment grade rating.

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

Credit enhancements

We provide partial credit enhancement to multi-seller programs administered by us to protect commercial paper investors in the event that the collection on the underlying assets, the transaction-specific credit enhancement or the liquidity proves to be insufficient to pay for maturing commercial paper. Each of the asset pools is structured to achieve a high investment-grade credit profile through credit enhancements from us and other third parties related to each transaction. The average remaining term of these credit facilities is approximately three years.

Documentary and commercial letters of credit

Documentary and commercial letters of credit, which are written undertakings by us on behalf of a client authorizing a third party to draw drafts on us up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipment of goods to which they relate.

Other commitments to extend credit

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit.

Other credit-related commitments

Securities lending indemnifications

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

Performance guarantees

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

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

Indemnifications

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

Uncommitted amounts

Uncommitted amounts represent undrawn credit facilities for which we have the ability to unilaterally withdraw the credit extended to the borrower. These include both retail and commercial commitments. As at October 31, 2015, the total balance of uncommitted amounts was \$209 billion (October 31, 2014 – \$195 billion).

Other commitments

We act as underwriter for certain new issuances under which we alone or together with a syndicate of financial institutions purchase the new issuances for resale to investors. In connection with these activities, our commitments were \$353 million as at October 31, 2015 (October 31, 2014 – \$1,109 million).

Pledged assets and collateral

In the ordinary course of business, we pledge assets and enter in collateral agreements with terms and conditions that are usual and customary to our regular lending, borrowing and trading activities recorded on our Consolidated Balance Sheets. The following are examples of our general terms and conditions on pledged assets and collateral:

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

We are also required to provide intraday pledges to the Bank of Canada when we use the Large Value Transfer System (LVTS), which is a real-time electronic wire transfer system that continuously processes all Canadian dollar large-value or time-critical payments throughout the day. The pledged assets earmarked for LVTS activities are normally released back to us at the end of the settlement cycle each day. Therefore, the pledged assets amount is not included in the table below. For the year ended October 31, 2015, we had on average of \$3.5 billion of assets pledged intraday to the Bank of Canada on a daily basis (October 31, 2014 – \$3.1 billion). There are infrequent occasions where we are required to take an overnight advance from the Bank of Canada to cover a settlement requirement, in which case an equivalent value of the pledged assets would be used to secure the advance. There were no overnight advances taken on October 31, 2015 and October 31, 2014.

Details of assets pledged against liabilities and collateral assets held or re-pledged are shown in the following tables:

(Millions of Canadian dollars)	As at	
	October 31 2015	October 31 2014
Sources of pledged assets and collateral		
Bank assets		
Cash and due from banks	\$ –	\$ 243
Interest-bearing deposits with banks	1	90
Loans	81,397	72,191
Securities	63,761	59,476
Other assets	22,305	11,887
	167,464	143,887
Client assets		
Collateral received and available for sale or re-pledging	232,499	189,229
Less: not sold or re-pledged	(74,471)	(67,747)
	158,028	121,482
	\$ 325,492	\$ 265,369
Uses of pledged assets and collateral		
Securities lent	\$ 21,767	\$ 21,550
Securities borrowed	33,306	25,150
Obligations related to securities sold short	47,658	50,345
Obligations related to securities lent or sold under repurchase agreements	88,834	61,184
Securitization	44,203	45,089
Covered bonds	36,422	26,589
Derivative transactions	27,411	17,068
Foreign governments and central banks	2,770	2,167
Clearing systems, payment systems and depositories	4,017	4,947
Other	19,104	11,280
	\$ 325,492	\$ 265,369

Lease commitments

Finance lease commitments

We lease computer equipment from third parties under finance lease arrangements. The leases have various terms, escalation and renewal rights. The future minimum lease payments under the finance leases are as follows:

(Millions of Canadian dollars)	As at					
	October 31, 2015			October 31, 2014		
	Total future minimum lease payments	Future interest charges	Present value of finance lease commitments	Total future minimum lease payments	Future interest charges	Present value of finance lease commitments
Future minimum lease payments						
No later than one year	\$ 38	\$ (4)	\$ 34	\$ 59	\$ (6)	\$ 53
Later than one year and no later than five years	22	(3)	19	51	(6)	45
	\$ 60	\$ (7)	\$ 53	\$ 110	\$ (12)	\$ 98

The net carrying amount of computer equipment held under finance lease as at October 31, 2015 was \$65 million (October 31, 2014 – \$113 million).

Operating lease commitments

We are obligated under a number of non-cancellable operating leases for premises and equipment. These leases have various terms, escalation and renewal rights. The minimum future lease payments under non-cancellable operating leases are as follows.

(Millions of Canadian dollars)	As at			
	October 31, 2015		October 31, 2014	
	Land and buildings	Equipment	Land and buildings	Equipment
Future minimum lease payments				
No later than one year	\$ 590	\$ 131	\$ 536	\$ 134
Later than one year and no later than five years	1,822	80	1,663	200
Later than five years	1,811	–	1,294	–
	4,223	211	3,493	334
Less: Future minimum sublease payments to be received	(14)	–	(17)	–
Net future minimum lease payments	\$ 4,209	\$ 211	\$ 3,476	\$ 334

Note 27 Litigation

We are a large global institution that is subject to many different complex legal and regulatory requirements that continue to evolve. As a result, Royal Bank of Canada and its subsidiaries are and have been subject to a variety of legal proceedings, including civil claims and lawsuits, regulatory examinations, investigations, audits and requests for information by various governmental regulatory agencies and law enforcement authorities in various jurisdictions. Some of these matters may involve novel legal theories and interpretations and may be advanced under criminal as well as civil statutes, and some proceedings could result in the imposition of civil, regulatory enforcement or criminal penalties. Management reviews the status of all proceedings on an ongoing basis and will exercise its judgment in resolving them in such manner as management believes to be in the Bank's best interest. This is an area of significant judgment and uncertainty and the extent of our financial and other exposure to these proceedings could be material to our results of operations in any particular period. The following is a description of our significant legal proceedings.

Rural/Metro litigation

On October 14, 2014, the Delaware Court of Chancery (the Court of Chancery) in a class action brought by former shareholders of Rural/Metro Corporation, held RBC Capital Markets, LLC liable for aiding and abetting a breach of fiduciary duty by three Rural/Metro directors, but did not make an additional award for attorney's fees. A final judgment was entered on February 19, 2015 in the amount of US\$93 million plus post-judgment interest. RBC Capital Markets, LLC appealed the Court of Chancery's determination of liability and quantum of damages, and the plaintiffs cross-appealed the ruling on additional attorneys' fees. On November 30, 2015, the Delaware Supreme Court affirmed the Court of Chancery with respect to both the appeal and cross-appeal. RBC Capital Markets, LLC is cooperating with an investigation by the U.S. Securities and Exchange Commission relating to this matter.

LIBOR regulatory investigations and litigation

Various regulators and competition and enforcement authorities around the world, including in Canada, the United Kingdom, and the U.S., are conducting investigations related to certain past submissions made by panel banks in connection with the setting of the U.S. dollar London interbank offered rate (LIBOR). These investigations focus on allegations of collusion between the banks that were on the panel to make submissions for certain LIBOR rates. As Royal Bank of Canada is a member of certain LIBOR panels, including the U.S. dollar LIBOR panel, we have been the subject of regulatory demands for information and are cooperating with those investigations. In addition, Royal Bank of Canada and other U.S. dollar panel banks have been named as defendants in private lawsuits filed in the U.S. with respect to the setting of LIBOR including a number of class action lawsuits which have been consolidated before the U.S. District Court for the Southern District of New York (the Court). The complaints in those actions assert claims against us and other panel banks under various U.S. laws, including U.S. antitrust laws, the U.S. Commodity Exchange Act, and state law. The Court has issued five detailed rulings on various motions in the consolidated cases and based on the Court's decisions to date, many of the claims against Royal Bank of Canada have been dismissed; however, these decisions are subject to appeal and the claims that have been dismissed may be refiled based upon the appeal decisions. The parties are currently working with the Court to confirm the cases which remain active.

Based on the facts currently known, it is not possible at this time for us to predict the ultimate outcome of these investigations or proceedings or the timing of their resolution.

Royal Bank of Canada Trust Company (Bahamas) Limited Proceedings

On April 13, 2015, a French investigating judge notified Royal Bank of Canada Trust Limited (RBC Bahamas) of the issuance of an *ordonnance de renvoi* referring RBC Bahamas and other unrelated persons to the French *tribunal correctionnel* to face the charge of complicity in estate tax fraud relating to actions taken relating to a trust for which RBC Bahamas serves as trustee. The trial for this matter is expected to commence in January 2016. RBC Bahamas believes that its actions did not violate French law and intends to contest the charge in the French court. Based on the facts currently known, it is not possible to predict the ultimate outcome of this proceeding; however, management believes that its ultimate resolution will not have a material effect on our consolidated financial position, although it may be material to our results of operations in the period it occurs.

Interchange fees litigation

Since 2011, seven proposed class actions have been commenced in Canada: *Bancroft-Snell v. Visa Canada Corporation, et al.*, 9085-4886 *Quebec Inc. v. Visa Canada Corporation, et al.*, *Coburn and Watson's Metropolitan Home v. Bank of America Corporation, et al. (Watson)*, *Macaronies Hair Club and Laser Centre Inc. v. BofA Canada Bank, et al.*, 1023926 *Alberta Ltd. v. Bank of America Corporation, et al.*, *The Crown & Hand Pub Ltd. v. Bank of America Corporation, et al.*, and *Hello Baby Equipment Inc. v. BofA Canada Bank, et al.* The defendants in each action are VISA Canada Corporation (Visa), MasterCard International Incorporated (MasterCard), Royal Bank of Canada and other financial institutions. The plaintiff class members are Canadian merchants who accept Visa and/or MasterCard branded credit cards for payment. The actions allege,

among other things, that from March 2001 to the present, Visa and MasterCard conspired with their issuing banks and acquirers to set default interchange rates and merchant discount fees and that certain rules (Honour All Cards and No Surcharge) have the effect of increasing the merchant discount fees. The actions include claims of civil conspiracy, breach of the *Competition Act*, interference with economic relations and unjust enrichment. The claims seek unspecified general and punitive damages. In *Watson*, a decision to partially certify the action as a class proceeding was released on March 27, 2014, and was appealed. On August 19, 2015, the British Columbia Court of Appeal struck the plaintiff class representative's cause of action under section 45 of the *Competition Act* and reinstated the plaintiff class representative's cause of action in civil conspiracy by unlawful means, among other rulings. Based on the facts currently known, it is not possible at this time for us to predict the ultimate outcome of this proceeding or the timing of its resolution.

Foreign Exchange Matters

On July 2, 2015, the Brazilian civil antitrust authority Administrative Council for Economic Defense (CADE) initiated an administrative proceeding to investigate possible violations of Brazilian antitrust law by a number of banks, including Royal Bank of Canada, regarding foreign exchange trading. The matter is in its initial stages.

On July 31, 2015, RBC Capital Markets, LLC was added as a new defendant in a pending putative class action initially filed in November 2013 in the United States District Court for the Southern District of New York. The action is brought against multiple foreign exchange dealers and alleges collusive behaviour, among other allegations, in foreign exchange trading. The action is in its initial stages as it relates to the new defendants, including RBC Capital Markets, LLC. On September 11, 2015, a class action lawsuit was filed in the Ontario Superior Court of Justice and a motion for authorization of a class action was filed in the Quebec Superior Court, both on behalf of an alleged class of Canadian investors, against Royal Bank of Canada, RBC Capital Markets, LLC and a number of other foreign exchange dealers. The Canadian class actions allege that the defendants conspired to manipulate the prices of currency trades and are in their initial stages. Based on the facts currently known, it is not possible to predict the ultimate outcome of the Foreign Exchange Matters or the timing of their ultimate resolution.

Wisconsin school districts litigation

RBC Capital Markets, LLC, RBC Europe, Ltd. and RBC USA Holdco Corporation are defendants in a lawsuit relating to their role in transactions involving investments made by a number of Wisconsin school districts in certain collateralized debt obligations. These transactions were also the subject of a regulatory investigation. In September 2011, we reached a settlement with the Securities and Exchange Commission which was paid to the school districts through a Fair Fund. Based on the facts currently known, it is not possible at this time to predict the ultimate outcome of this proceeding or the timing of its resolution; however, management believes the ultimate resolution of this proceeding will not have a material adverse effect on our consolidated financial position or results of operations.

Other matters

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

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

Note 28 Contractual repricing and maturity schedule

The following table details our exposure to interest rate risk. The carrying amounts of financial assets and financial liabilities are reported below based on the earlier of their contractual repricing date or maturity date.

The following table does not incorporate management's expectation of future events where expected repricing or maturity dates differ significantly from the contractual dates. We incorporate these assumptions in the management of interest rate risk exposure. These assumptions include expected repricing of trading instruments and certain loans and deposits. Taking into account these assumptions on the consolidated contractual repricing and maturity schedule at October 31, 2015, would result in a change in the under-one-year gap from \$11.5 billion to \$82.3 billion.

(Millions of Canadian dollars)	As at October 31, 2015							
	Immediately interest rate-sensitive	Under 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-rate-sensitive	Total
Assets								
Cash and deposits with banks	\$ 11,712	\$ 17,162	\$ 17	\$ –	\$ –	\$ –	\$ 6,251	\$ 35,142
Trading securities	59	29,399	11,229	14,777	22,678	32,143	48,418	158,703
Available-for-sale securities	–	23,406	2,865	1,194	17,387	10,103	1,850	56,805
Assets purchased under reverse repurchase agreements and securities borrowed	1,467	147,194	21,242	4,157	–	–	663	174,723
Loans (net of allowance for loan losses)	179,940	70,297	21,094	25,187	162,856	8,234	4,615	472,223
Derivatives	105,626	–	–	–	–	–	–	105,626
Segregated fund net assets	–	–	–	–	–	–	830	830
Other assets	177	22,828	–	–	–	106	47,045	70,156
	\$ 298,981	\$ 310,286	\$ 56,447	\$ 45,315	\$ 202,921	\$ 50,586	\$ 109,672	\$ 1,074,208
Liabilities								
Deposits	\$ 257,456	\$ 166,310	\$ 22,988	\$ 37,906	\$ 104,122	\$ 25,322	\$ 83,123	\$ 697,227
Obligations related to assets sold under repurchase agreements and securities loaned	1,709	78,533	1,400	1,199	–	–	447	83,288
Obligations related to securities sold short	5	2,335	547	664	9,580	13,447	21,080	47,658
Derivatives	107,860	–	–	–	–	–	–	107,860
Segregated fund net liabilities	–	–	–	–	–	–	830	830
Other liabilities	89	15,221	24	57	1,790	7,193	41,665	66,039
Subordinated debentures	–	1,951	–	–	4,191	1,220	–	7,362
Non-controlling interests	–	1,207	–	–	518	–	73	1,798
Shareholders' equity	–	700	300	1,050	2,301	751	57,044	62,146
	\$ 367,119	\$ 266,257	\$ 25,259	\$ 40,876	\$ 122,502	\$ 47,933	\$ 204,262	\$ 1,074,208
Total gap	\$ (68,138)	\$ 44,029	\$ 31,188	\$ 4,439	\$ 80,419	\$ 2,653	\$ (94,590)	\$ –
Canadian dollar	\$ (51,779)	\$ 14,274	\$ 12,805	\$ (678)	\$ 109,580	\$ (2,800)	\$ (81,403)	\$ (1)
Foreign currency	(16,359)	29,755	18,383	5,117	(29,161)	5,453	(13,187)	1
Total gap	\$ (68,138)	\$ 44,029	\$ 31,188	\$ 4,439	\$ 80,419	\$ 2,653	\$ (94,590)	\$ –

Related parties

Related parties include associated companies, post-employment benefit plans for the benefit of our employees, key management personnel, the Board of Directors (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling our activities, directly or indirectly. They include the senior members of our organization called the Group Executive. The Group Executive is comprised of the President and Chief Executive Officer and individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations, and Personal & Commercial Banking. The Directors do not plan, direct, or control the activities of the entity; they oversee the management of the business and provide stewardship.

Compensation of key management personnel and Directors

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014 ⁽¹⁾	October 31 2013
Salaries and other short-term employee benefits ⁽²⁾	\$ 21	\$ 22	\$ 23
Post-employment benefits	2	7	3
Share-based payments	37	26	30
	\$ 60	\$ 55	\$ 56

(1) During the year ended October 31, 2014, certain executives who were members of the Bank's Group Executive as at October 31, 2013 left the Bank and therefore, were no longer part of key management personnel. Compensation for the year ended October 31, 2014, attributable to the former executives, including benefits and share based payments relating to awards granted in prior years was \$60 million.

(2) Includes the portion of the annual variable short-term incentive bonus that certain executives elected to receive in the form of DSUs. Refer to Note 22 for further details.

Stock options, stock awards and shares held by key management personnel, Directors and their close family members

(Millions of Canadian dollars, except number of shares)	As at			
	October 31, 2015		October 31, 2014	
	No. of units held	Value	No. of units held	Value
Stock options	2,494,007	\$ 44	2,472,134	\$ 66
Other non-option stock based awards	1,485,976	111	1,447,763	116
RBC common and preferred shares	738,777	55	686,674	55
	4,718,760	\$ 210	4,606,571	\$ 237

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

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

As at October 31, 2015, total loans to key management personnel, Directors and their close family members were \$7 million (October 31, 2014 – \$7 million). No guarantees, pledges or commitments have been given to key management personnel, Directors or their close family members.

Joint ventures and associates

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

As at October 31, 2015, loans to joint ventures and associates were \$65 million (October 31, 2014 – \$57 million) and deposits from joint ventures and associates were \$27 million (October 31, 2014 – \$14 million). No guarantees have been given to joint ventures or associates.

Other transactions, arrangements or agreements involving joint ventures or associates

(Millions of Canadian dollars)	As at or for the year ended		
	October 31 2015	October 31 2014	October 31 2013
Commitments and other contingencies	\$ 365	\$ 315	\$ 240
Other fees received for services rendered	41	45	47
Other fees paid for services received	182	185	191

Restricted net assets

Certain of our subsidiaries and joint ventures are subject to regulatory requirements of the jurisdictions in which they operate. When these subsidiaries and joint ventures are subject to such requirements, they may be restricted from transferring to us, our share of their assets in the form of cash dividends, loans or advances. At October 31, 2015, restricted net assets of these subsidiaries and joint ventures were \$30.8 billion (October 31, 2014 – \$16 billion).

Composition of business segments

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

Personal & Commercial Banking is comprised of our personal and business banking operations, and our auto financing and retail investment businesses and operates through four business lines: Personal Financial Services, Business Financial Services, Cards and Payment Solutions (Canadian Banking), and Caribbean & U.S. Banking. In Canada, we provide a broad suite of financial products and services to our individual and business clients through our extensive branch, automated teller machines, online and telephone banking networks, as well as through a large number of proprietary sales professionals. In the Caribbean, we offer a broad range of financial products and services to individuals, business clients and public institutions in targeted markets. In the United States, we serve the cross-border banking needs of Canadian clients within the United States, as well as the banking product needs of our U.S. wealth management clients.

Wealth Management is comprised of Canadian Wealth Management, U.S. & International Wealth Management and Global Asset Management. We serve affluent, high net worth and ultra high net worth clients in Canada, the United States, the United Kingdom, Europe, and Asia with a comprehensive suite of investment, trust, banking, credit and other wealth management solutions. We also provide asset management products and services directly to institutional and individual clients as well as through RBC distribution channels and third-party distributors.

Insurance is comprised of our insurance operations in Canada and globally and operates under two business lines: Canadian Insurance and International Insurance, providing a wide range of life, health, property and casualty, and reinsurance products and solutions. In Canada, we offer our products and services through our proprietary distribution channels, comprised of the field sales force which includes retail insurance branches, our field sales representatives, advice centers and online, as well as through independent insurance advisors and affinity relationships. Outside North America, we operate in reinsurance markets globally offering life, accident and annuity reinsurance products.

Investor & Treasury Services offers global custody, fund and pension administration, as well as an integrated suite of products to institutional investors worldwide. We also provide cash management, correspondent banking and trade finance services to financial institutions globally and funding and liquidity management for RBC as well as other select institutions.

Capital Markets is comprised of a majority of our global wholesale banking businesses providing public and private companies, institutional investors, governments and central banks with a wide range of products and services across our two main business lines: Global Markets and Corporate and Investment Banking. In North America, we offer a full suite of products and services which include corporate and investment banking, equity and debt origination and distribution, and structuring and trading. Outside North America, we have a select presence in the U.K., Europe, and Other international, where we offer a diversified set of capabilities in our key sectors of expertise such as energy, mining and infrastructure.

All other enterprise level activities that are not allocated to these five business segments, such as enterprise funding, securitizations, net charges associated with unattributed capital, and consolidation adjustments, including the elimination of the Taxable equivalent basis (Teb) gross-up amounts, are included in Corporate Support. Teb adjustments gross up Net interest income from certain tax-advantaged sources (Canadian taxable corporate dividends) to their effective tax equivalent value with the corresponding offset recorded in the provision for income taxes. Management believes that these adjustments are necessary for Capital Markets to reflect how it is managed. The use of the Teb adjustments enhances the comparability of revenue across our taxable and tax-advantaged sources. Our use of Teb adjustments may not be comparable to similarly adjusted amounts at other financial institutions. The Teb adjustment for the year ended October 31, 2015 was \$570 million (October 31, 2014 – \$492 million, October 31, 2013 – \$380 million).

Geographic segments

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

Management reporting framework

Our management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way our business segments are managed. This approach is intended to ensure that our business segments' results reflect all relevant revenue and expenses associated with the conduct of their businesses. Management regularly monitors these segments' results for the purpose of making decisions about resource allocation and performance assessment. These items do not impact our consolidated results.

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

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

(Millions of Canadian dollars)	For the year ended October 31, 2015									
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Canada	United States	Other International
Net interest income (2), (3)	\$ 10,004	\$ 493	\$ –	\$ 818	\$ 3,970	\$ (514)	\$ 14,771	\$ 11,538	\$ 1,977	\$ 1,256
Non-interest income	4,309	6,282	4,436	1,220	4,093	210	20,550	10,889	4,619	5,042
Total revenue	14,313	6,775	4,436	2,038	8,063	(304)	35,321	22,427	6,596	6,298
Provision for credit losses	984	46	–	(1)	71	(3)	1,097	933	98	66
Insurance policyholder benefits, claims and acquisition expense	–	–	2,963	–	–	–	2,963	1,976	–	987
Non-interest expense	6,611	5,292	613	1,301	4,696	125	18,638	10,139	4,762	3,737
Net income (loss) before income taxes	6,718	1,437	860	738	3,296	(426)	12,623	9,379	1,736	1,508
Income taxes (recoveries)	1,712	396	154	182	977	(824)	2,597	1,727	649	221
Net income	\$ 5,006	\$ 1,041	\$ 706	\$ 556	\$ 2,319	\$ 398	\$ 10,026	\$ 7,652	\$ 1,087	\$ 1,287
Non-interest expense includes:										
Depreciation and amortization	\$ 345	\$ 157	\$ 16	\$ 54	\$ 28	\$ 639	\$ 1,239	\$ 1,046	\$ 40	\$ 153
Impairment of other intangibles	1	4	–	–	–	2	7	3	1	3
Restructuring provisions	–	83	–	–	–	–	83	25	45	13
Total assets	\$ 397,132	\$ 26,891	\$ 14,139	\$ 132,294	\$ 478,289	\$ 25,463	\$ 1,074,208	\$ 584,419	\$ 252,845	\$ 236,944
Total assets include: Additions to premises and equipment and intangibles	\$ 327	\$ 122	\$ 23	\$ 46	\$ 256	\$ 644	\$ 1,418	\$ 1,071	\$ 206	\$ 141
Total liabilities	\$ 397,157	\$ 26,906	\$ 14,160	\$ 132,275	\$ 478,291	\$ (38,525)	\$ 1,010,264	\$ 520,420	\$ 252,970	\$ 236,874

(Millions of Canadian dollars)	For the year ended October 31, 2014 (4)									
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Canada	United States	Other International
Net interest income (2), (3)	\$ 9,743	\$ 469	\$ –	\$ 732	\$ 3,485	\$ (313)	\$ 14,116	\$ 11,128	\$ 1,697	\$ 1,291
Non-interest income	3,987	5,844	4,964	1,152	3,881	164	19,992	10,488	4,257	5,247
Total revenue	13,730	6,313	4,964	1,884	7,366	(149)	34,108	21,616	5,954	6,538
Provision for credit losses	1,103	19	–	–	44	(2)	1,164	922	52	190
Insurance policyholder benefits, claims and acquisition expense	–	–	3,573	–	–	–	3,573	2,188	1	1,384
Non-interest expense	6,563	4,800	579	1,286	4,344	89	17,661	9,650	4,199	3,812
Net income (loss) before income taxes	6,064	1,494	812	598	2,978	(236)	11,710	8,856	1,702	1,152
Income taxes (recoveries)	1,589	411	31	157	923	(405)	2,706	1,983	660	63
Net income	\$ 4,475	\$ 1,083	\$ 781	\$ 441	\$ 2,055	\$ 169	\$ 9,004	\$ 6,873	\$ 1,042	\$ 1,089
Non-interest expense includes:										
Depreciation and amortization	\$ 338	\$ 147	\$ 16	\$ 58	\$ 28	\$ 578	\$ 1,165	\$ 971	\$ 39	\$ 155
Impairment of other intangibles	–	6	–	–	2	–	8	2	6	–
Restructuring provisions	20	16	–	–	–	–	36	–	16	20
Total assets	\$ 376,188	\$ 27,084	\$ 12,930	\$ 103,822	\$ 400,314	\$ 20,212	\$ 940,550	\$ 496,120	\$ 194,879	\$ 249,551
Total assets include: Additions to premises and equipment and intangibles	\$ 318	\$ 105	\$ 16	\$ 30	\$ 147	\$ 563	\$ 1,179	\$ 924	\$ 154	\$ 101
Total liabilities	\$ 376,154	\$ 27,022	\$ 12,988	\$ 103,798	\$ 400,114	\$ (34,029)	\$ 886,047	\$ 441,607	\$ 194,946	\$ 249,494

Note 30 Results by business segment (continued)

For the year ended October 31, 2013 (4)										
(Millions of Canadian dollars)	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Canada	United States	Other International
Net interest income (2), (3)	\$ 9,434	\$ 396	\$ –	\$ 671	\$ 2,872	\$ (124)	\$ 13,249	\$ 10,961	\$ 1,448	\$ 840
Non-interest income	3,585	5,091	3,928	1,133	3,708	(12)	17,433	8,601	3,810	5,022
Total revenue	13,019	5,487	3,928	1,804	6,580	(136)	30,682	19,562	5,258	5,862
Provision for credit losses	995	51	–	–	188	3	1,237	892	78	267
Insurance policyholder benefits, claims and acquisition expense	–	–	2,784	–	–	–	2,784	1,425	10	1,349
Non-interest expense	6,168	4,219	551	1,348	3,856	72	16,214	9,210	3,663	3,341
Net income (loss) before income taxes	5,856	1,217	593	456	2,536	(211)	10,447	8,035	1,507	905
Income taxes (recoveries)	1,476	331	(2)	117	836	(653)	2,105	1,710	370	25
Net income	\$ 4,380	\$ 886	\$ 595	\$ 339	\$ 1,700	\$ 442	\$ 8,342	\$ 6,325	\$ 1,137	\$ 880
Non-interest expense includes:										
Depreciation and amortization	\$ 279	\$ 135	\$ 13	\$ 56	\$ 25	\$ 503	\$ 1,011	\$ 838	\$ 36	\$ 137
Impairment of other intangibles	1	–	–	5	–	4	10	10	–	–
Restructuring provisions	21	–	–	44	–	–	65	9	–	56
Total assets	\$ 362,932	\$ 23,361	\$ 12,275	\$ 90,621	\$ 358,036	\$ 12,520	\$ 859,745	\$ 494,306	\$ 181,703	\$ 183,736
Total assets include:										
Additions to premises and equipment and intangibles	\$ 468	\$ 90	\$ 13	\$ 35	\$ 107	\$ 517	\$ 1,230	\$ 966	\$ 132	\$ 132
Total liabilities	\$ 362,892	\$ 23,306	\$ 12,325	\$ 90,793	\$ 357,872	\$ (36,903)	\$ 810,285	\$ 444,781	\$ 181,815	\$ 183,689

(1) Taxable equivalent basis (Teb).

(2) Inter-segment revenue and share of profits in joint ventures and associates are not material.

(3) Interest revenue is reported net of interest expense as management relies primarily on net interest income as a performance measure.

(4) Certain amounts have been revised from those previously reported.

Revenue by business line

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Personal Financial Services	\$ 7,634	\$ 7,285	\$ 6,948
Business Financial Services	3,091	3,135	2,990
Cards and Payment Solutions	2,654	2,449	2,282
Caribbean & U.S. Banking	934	861	799
Canadian Wealth Management	2,226	2,186	1,889
U.S. & International Wealth Management	2,729	2,430	2,225
Global Asset Management	1,820	1,697	1,373
Insurance	4,436	4,964	3,928
Investor & Treasury services	2,038	1,884	1,804
Corporate and Investment Banking	3,697	3,437	3,014
Global Markets (1)	4,477	3,896	3,314
Other Capital Markets (1)	(111)	33	252
Corporate Support	(304)	(149)	(136)
	\$ 35,321	\$ 34,108	\$ 30,682

(1) Certain amounts have been revised from those previously reported.

Note 31 Nature and extent of risks arising from financial instruments

We are exposed to credit, market and liquidity and funding risks as a result of holding financial instruments. Our risk measurement and objectives, policies and methodologies for managing these risks are disclosed in the shaded text along with those tables specifically marked with an asterisk (*) on pages 56 to 82 of the Management's Discussion and Analysis. These shaded text and tables are an integral part of these Consolidated Financial Statements.

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

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

(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2015								
	Canada	%	United States	%	Europe	%	Other International	%	Total
On-balance sheet assets other than derivatives (1)	\$ 453,650	68%	\$ 110,341	17%	\$ 56,984	9%	\$ 41,453	6%	\$ 662,428
Derivatives before master netting agreement (2), (3)	20,911	11	22,877	12	143,414	74	7,254	3	194,456
	\$ 474,561	55%	\$ 133,218	16%	\$ 200,398	23%	\$ 48,707	6%	\$ 856,884
Off-balance sheet credit instruments (4)									
Committed and uncommitted (5)	\$ 239,351	57%	\$ 137,204	33%	\$ 32,638	8%	\$ 10,312	2%	\$ 419,505
Other	49,740	51	17,520	18	29,213	30	1,523	1	97,996
	\$ 289,091	56%	\$ 154,724	30%	\$ 61,851	12%	\$ 11,835	2%	\$ 517,501

(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2014								
	Canada	%	United States	%	Europe	%	Other International	%	Total
On-balance sheet assets other than derivatives (1)	\$ 422,498	72%	\$ 79,140	14%	\$ 46,596	8%	\$36,031	6%	\$ 584,265
Derivatives before master netting agreement (2), (3)	12,825	9	23,039	16	102,368	70	7,009	5	145,241
	\$ 435,323	60%	\$ 102,179	14%	\$ 148,964	20%	\$43,040	6%	\$ 729,506
Off-balance sheet credit instruments (4)									
Committed and uncommitted (5)	\$ 224,849	62%	\$ 102,253	28%	\$ 28,312	8%	\$ 7,876	2%	\$ 363,290
Other	45,600	53	14,579	17	25,023	29	550	1	85,752
	\$ 270,449	60%	\$ 116,832	26%	\$ 53,335	12%	\$ 8,426	2%	\$ 449,042

(1) Includes assets purchased under reverse repurchase agreements and securities borrowed, loans and customers' liability under acceptances. The largest concentrations in Canada are Ontario at 47% (October 31, 2014 – 46%), the Prairies at 21% (October 31, 2014 – 21%), British Columbia and the territories at 16% (October 31, 2014 – 16%) and Quebec at 11% (October 31, 2014 – 12%). No industry accounts for more than 35% (October 31, 2014 – 33%) of total on-balance sheet credit instruments.

(2) The largest concentration of credit exposure by counterparty type is banks at 29% (October 31, 2014 – 36%).

(3) Excludes credit derivatives classified as other than trading.

(4) Represents financial instruments with contractual amounts representing credit risk.

(5) Retail and wholesale commitments respectively comprise 36% and 64% of our total commitments (October 31, 2014 – 38% and 62%). The largest concentrations in the wholesale portfolio related to Financing products at 15% (October 31, 2014 – 14%), Non-bank financial services at 10% (October 31, 2014 – 9%), Oil and gas at 10% (October 31, 2014 – 9%), Utilities at 9% (October 31, 2014 – 9%), and Real estate and related at 8% (October 31, 2014 – 9%).

Note 32 Capital management

Regulatory capital and capital ratios

OSFI formally establishes risk-based capital and leverage targets for deposit-taking institutions in Canada. We are required to calculate our capital ratios using the Basel III framework. Under Basel III, regulatory capital includes Common Equity Tier 1 (CET1), Tier 1 and Tier 2 capital. CET1 capital mainly consists of common shares, retained earnings and other components of equity. Regulatory adjustments under Basel III include deductions of goodwill and other intangibles, certain deferred tax assets, defined benefit pension fund assets, investments in banking, financial and insurance entities, and the shortfall of provisions to expected losses. Tier 1 capital comprises predominantly CET1, with additional items that consist of capital instruments such as certain preferred shares, and certain non-controlling interests in subsidiaries. Tier 2 capital includes subordinated debentures that meet certain criteria and certain loan loss allowances. Total capital is the sum of CET1, additional Tier 1 capital and Tier 2 capital. Regulatory capital ratios are calculated by dividing CET1, Tier 1 and Total capital by risk-weighted assets.

Note 32 Capital management (continued)

Beginning this year, the asset-to-capital multiple has been replaced by a leverage ratio. The leverage ratio is calculated by dividing Tier 1 capital by an exposure measure. The exposure measure consists of total assets (excluding items deducted from Tier 1 capital) and certain off-balance sheet items converted into credit exposure equivalents. Adjustments are also made to derivatives and secured financing transactions to reflect credit and other risks. During 2015 and 2014, we complied with all capital and leverage requirements imposed by OSFI.

	As at	
	October 31 2015	October 31 2014
(Millions of Canadian dollars, except percentage and multiple amounts)		
Capital (1)		
Common Equity Tier 1 capital	\$ 43,715	\$ 36,406
Tier 1 capital	50,541	42,202
Total capital	58,004	50,020
Risk-weighted assets used in calculation of capital ratios (1), (2)		
Common Equity Tier 1 capital ratio	411,756	368,594
Tier 1 capital ratio	412,941	369,976
Total capital ratio	413,957	372,050
Total capital risk-weighted assets (1)		
Credit risk	323,870	286,327
Market risk	39,786	38,460
Operational risk	50,301	47,263
	\$ 413,957	\$ 372,050
Capital ratios, leverage ratios and multiples (1)		
Common Equity Tier 1 capital ratio	10.6%	9.9%
Tier 1 capital ratio	12.2%	11.4%
Total capital ratio	14.0%	13.4%
Leverage ratio (3)	4.3%	n.a.
Assets-to-capital multiple (4)	n.a.	17.0X

- (1) Capital, risk-weighted assets and capital ratios and multiples are calculated using OSFI Capital Adequacy Requirements. Leverage ratio is calculated using OSFI Leverage Requirements.
- (2) Effective the third quarter of 2014, the credit valuation adjustment to our risk-weighted asset calculation implemented in the first quarter of 2014, must reflect different percentages for each tier of capital. This change reflects a phase-in of credit valuation adjustments ending in the fourth quarter of 2018. During this phase-in period, risk-weighted assets for Common Equity Tier 1, Tier 1 and Total capital ratios will be subject to different annual credit valuation adjustment percentages.
- (3) Exposure measure as at October 31, 2015 was \$1,170 billion.
- (4) Beginning this year, the asset-to-capital multiple has been replaced by a leverage ratio. Gross adjusted assets as at October 31, 2014 were \$885 billion.
- n.a. not applicable

Note 33 Offsetting financial assets and financial liabilities

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

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

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

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

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	As at October 31, 2015								
	Amounts subject to offsetting and enforceable netting arrangements							Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
	Gross amounts of financial assets before balance sheet offsetting	Amounts of financial liabilities offset on the balance sheet	Net amount of financial assets presented on the balance sheet	Impact of master netting agreements	Financial collateral received (2)	Net amount	Amounts subject to master netting arrangements or similar agreements but do not qualify for offsetting on the balance sheet (1)		
(Millions of Canadian dollars)									
Assets purchased under reverse repurchase agreements and securities borrowed	\$ 183,493	\$ 9,846	\$ 173,647	\$ 30	\$ 172,910	\$ 707	\$ 1,076	\$ 174,723	
Derivative assets (3)	185,654	87,527	98,127	71,833	14,956	11,338	7,499	105,626	
Other financial assets	1,560	1,283	277	–	52	225	78	355	
	\$ 370,707	\$ 98,656	\$ 272,051	\$ 71,863	\$ 187,918	\$ 12,270	\$ 8,653	\$ 280,704	

As at October 31, 2014								
Amounts subject to offsetting and enforceable netting arrangements								
(Millions of Canadian dollars)	Gross amounts of financial assets before balance sheet offsetting	Amounts of financial liabilities offset on the balance sheet	Net amount of financial assets presented on the balance sheet	Amounts subject to master netting arrangements or similar agreements but do not qualify for offsetting on the balance sheet (1)			Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
				Impact of master netting agreements	Financial collateral received (2)	Net amount		
Assets purchased under reverse repurchase agreements and securities borrowed	\$ 149,348	\$ 14,038	\$ 135,310	\$ 56	\$ 134,985	\$ 269	\$ 270	\$ 135,580
Derivative assets (3)	136,230	57,068	79,162	60,546	8,993	9,623	8,240	87,402
Other financial assets	1,345	1,247	98	–	70	28	60	158
	\$ 286,923	\$ 72,353	\$ 214,570	\$ 60,602	\$ 144,048	\$ 9,920	\$ 8,570	\$ 223,140

- (1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.
- (2) Includes cash collateral of \$11,345 million (October 31, 2014 – \$8,719 million) and non-cash collateral of \$177 billion (October 31, 2014 – \$135 billion).
- (3) Includes cash margin of \$1,512 million (October 31, 2014 – \$1,326 million) which offset against the derivative balance on the balance sheet.

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at October 31, 2015								
Amounts subject to offsetting and enforceable netting arrangements								
(Millions of Canadian dollars)	Gross amounts of financial liabilities before balance sheet offsetting	Amounts of financial assets offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Amounts subject to master netting arrangements or similar agreements but do not qualify for offsetting on the balance sheet (1)			Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
				Impact of master netting agreements	Financial collateral pledged (2)	Net amount		
Obligations related to assets sold under repurchase agreements and securities loaned	\$ 92,564	\$ 9,846	\$ 82,718	\$ 30	\$ 82,476	\$ 212	\$ 570	\$ 83,288
Derivative liabilities (3)	186,400	87,960	98,440	71,833	15,060	11,547	9,420	107,860
Other financial liabilities	2,348	1,517	831	–	551	280	3	834
	\$ 281,312	\$ 99,323	\$ 181,989	\$ 71,863	\$ 98,087	\$ 12,039	\$ 9,993	\$ 191,982

As at October 31, 2014								
Amounts subject to offsetting and enforceable netting arrangements								
(Millions of Canadian dollars)	Gross amounts of financial liabilities before balance sheet offsetting	Amounts of financial assets offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Amounts subject to master netting arrangements or similar agreements but do not qualify for offsetting on the balance sheet (1)			Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
				Impact of master netting agreements	Financial collateral pledged (2)	Net amount		
Obligations related to assets sold under repurchase agreements and securities loaned	\$ 78,029	\$ 14,038	\$ 63,991	\$ 56	\$ 63,790	\$ 145	\$ 340	\$ 64,331
Derivative liabilities (3)	135,662	56,982	78,680	60,546	9,184	8,950	10,302	88,982
Other financial liabilities	1,921	1,333	588	–	478	110	8	596
	\$ 215,612	\$ 72,353	\$ 143,259	\$ 60,602	\$ 73,452	\$ 9,205	\$ 10,650	\$ 153,909

- (1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.
- (2) Includes cash collateral of \$13,233 million (October 31, 2014 – \$7,187 million) and non-cash collateral of \$85 billion (October 31, 2014 – \$66 billion).
- (3) Includes cash margin of \$1,277 million (October 31, 2014 – \$1,240 million) which offset against the derivative balance on the balance sheet.

Note 34 Recovery and settlement of on-balance sheet assets and liabilities

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

(Millions of Canadian dollars)	As at					
	October 31, 2015			October 31, 2014 ⁽¹⁾		
	Within one year	After one year	Total	Within one year	After one year	Total
Assets						
Cash and due from banks ⁽²⁾	\$ 10,466	\$ 1,986	\$ 12,452	\$ 16,649	\$ 772	\$ 17,421
Interest-bearing deposits with banks	22,690	–	22,690	7,494	905	8,399
Securities						
Trading securities ⁽³⁾	149,150	9,553	158,703	141,399	9,981	151,380
Available-for-sale securities	12,338	44,467	56,805	12,318	35,450	47,768
Assets purchased under reverse repurchase agreements and securities borrowed	172,122	2,601	174,723	133,438	2,142	135,580
Loans						
Retail	92,012	256,171	348,183	78,435	255,834	334,269
Wholesale	25,842	100,227	126,069	22,491	80,463	102,954
Allowance for loan losses	–	–	(2,029)	–	–	(1,994)
Segregated fund net assets	–	830	830	–	675	675
Other						
Customers' liability under acceptances	13,446	7	13,453	11,456	6	11,462
Derivatives ⁽³⁾	103,618	2,008	105,626	85,688	1,714	87,402
Premises and equipment, net	–	2,728	2,728	–	2,684	2,684
Goodwill	–	9,289	9,289	–	8,647	8,647
Other intangibles	–	2,814	2,814	–	2,775	2,775
Investments in joint ventures and associates	–	360	360	–	295	295
Employee benefit assets	–	245	245	–	138	138
Other assets	35,350	5,917	41,267	24,414	6,281	30,695
	\$ 637,034	\$ 439,203	\$ 1,074,208	\$ 533,782	\$ 408,762	\$ 940,550
Liabilities						
Deposits ⁽⁴⁾	\$ 528,109	\$ 169,118	\$ 697,227	\$ 451,065	\$ 163,035	\$ 614,100
Segregated fund net liabilities	–	830	830	–	675	675
Other						
Acceptances	13,446	7	13,453	11,456	6	11,462
Obligations related to securities sold short	41,156	6,502	47,658	46,125	4,220	50,345
Obligations related to assets sold under repurchase agreements and securities loaned	82,498	790	83,288	64,331	–	64,331
Derivatives ⁽³⁾	105,271	2,589	107,860	87,830	1,152	88,982
Insurance claims and policy benefit liabilities	97	9,013	9,110	135	8,429	8,564
Employee benefit liabilities	–	1,969	1,969	–	2,420	2,420
Other liabilities	28,563	12,944	41,507	25,228	12,081	37,309
Subordinated debentures	1,500	5,862	7,362	200	7,659	7,859
	\$ 800,640	\$ 209,624	\$ 1,010,264	\$ 686,370	\$ 199,677	\$ 886,047

(1) Certain amounts have been revised from those previously reported.

(2) Cash and due from banks are assumed to be recovered within one year, except for cash balances not available for use by the bank.

(3) Trading securities classified as at FVTPL and trading derivatives not designated in hedging relationships are presented as within one year as this best represents in most instances the short-term nature of our trading activities. Non-trading derivatives designated in hedging relationships are presented according to the recovery or settlement of the related hedged item.

(4) Demand deposits of \$312 billion (October 31, 2014 – \$289 billion) are presented as within one year due to their being repayable on demand or at short notice on a contractual basis. In practice, these deposits relate to a broad range of individuals and customer-types which form a stable base for our operations and liquidity needs.

Note 35 Parent company information

The following table presents information regarding the legal entity of Royal Bank of Canada with its subsidiaries presented on an equity accounted basis.

Condensed Balance Sheets

(Millions of Canadian dollars)	As at	
	October 31 2015	October 31 2014
Assets		
Cash and due from banks	\$ 3,123	\$ 7,333
Interest-bearing deposits with banks	15,838	5,788
Securities	130,326	111,159
Investments in bank subsidiaries and associated corporations	22,907	20,240
Investments in other subsidiaries and associated corporations	60,378	53,131
Assets purchased under reverse repurchase agreements and securities borrowed	23,418	17,075
Loans, net of allowance for loan losses	444,169	407,440
Net balances due from bank subsidiaries	19,118	10,466
Other assets	147,330	120,052
	\$ 866,607	\$ 752,684
Liabilities and shareholders' equity		
Deposits	\$ 566,903	\$ 497,053
Net balances due to other subsidiaries	66,879	56,146
Other liabilities	163,379	138,989
	797,161	692,188
Subordinated debentures	7,300	7,806
Shareholders' equity	62,146	52,690
	\$ 866,607	\$ 752,684

Condensed Statements of Income and Comprehensive Income

(Millions of Canadian dollars)	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
Interest income (1)	\$ 18,287	\$ 18,415	\$ 18,573
Interest expense	5,785	5,882	5,795
Net interest income	12,502	12,533	12,778
Non-interest income (2)	5,474	6,007	4,626
Total revenue	17,976	18,540	17,404
Provision for credit losses	1,027	1,010	1,147
Non-interest expense	8,051	7,801	7,304
Income before income taxes	8,898	9,729	8,953
Income taxes	1,939	2,283	1,537
Net income before equity in undistributed income of subsidiaries	6,959	7,446	7,416
Equity in undistributed income of subsidiaries	3,067	1,558	926
Net income	10,026	9,004	8,342
Other comprehensive income, net of taxes	3,153	915	696
Total comprehensive income	\$ 13,179	\$ 9,919	\$ 9,038

(1) Includes dividend income from investments in subsidiaries and associated corporations of \$120 million (2014 – \$10 million; 2013 – \$1,313 million).

(2) Includes share of profit from associated corporations of \$15 million (2014 – profit of \$7 million; 2013 – loss of \$9 million).

Condensed Statements of Cash Flows

	For the year ended		
	October 31 2015	October 31 2014	October 31 2013
<i>(Millions of Canadian dollars)</i>			
Cash flows from operating activities			
Net income	\$ 10,026	\$ 9,004	\$ 8,342
Adjustments to determine net cash from operating activities:			
Change in undistributed earnings of subsidiaries	(3,067)	(1,558)	(926)
Change in deposits, net of securitizations	70,802	41,428	31,183
Change in loans, net of securitizations	(33,904)	(22,865)	(18,927)
Change in trading securities	(10,663)	(4,193)	(19,048)
Change in obligations related to assets sold under repurchase agreements and securities loaned	2,687	(2,712)	1,730
Change in assets purchased under reverse repurchase agreements and securities borrowed	(6,343)	(2,497)	(3,668)
Change in obligations related to securities sold short	(1,244)	(1,305)	388
Other operating activities, net	(7,845)	182	(8,210)
Net cash from (used in) operating activities	20,449	15,484	(9,136)
Cash flows from investing activities			
Change in interest-bearing deposits with banks	(10,050)	(3,081)	(1,548)
Proceeds from sale of available-for-sale securities	620	1,225	1,641
Proceeds from maturity of available-for-sale securities	25,207	28,875	28,056
Purchases of available-for-sale securities	(36,408)	(36,165)	(26,392)
Net acquisitions of premises and equipment and other intangibles	(937)	(803)	(754)
Change in cash invested in subsidiaries	(978)	(2,409)	(7,323)
Change in net funding provided to subsidiaries	2,081	4,889	20,164
Proceeds from sale of associated corporations	4	70	–
Net cash (used in) from investing activities	(20,461)	(7,399)	13,844
Cash flows from financing activities			
Issue of subordinated debentures	1,000	2,000	2,046
Repayment of subordinated debentures	(1,700)	(1,600)	(2,000)
Issue of preferred shares	1,350	1,000	–
Issuance costs	(21)	(14)	–
Redemption of preferred shares	(325)	(1,525)	(222)
Issue of common shares	62	150	121
Common shares purchased for cancellation	–	(113)	(408)
Dividends paid	(4,564)	(4,211)	(3,810)
Net cash used in financing activities	(4,198)	(4,313)	(4,273)
Net change in cash and due from banks	(4,210)	3,772	435
Cash and due from banks at beginning of year	7,333	3,561	3,126
Cash and due from banks at end of year	\$ 3,123	\$ 7,333	\$ 3,561
Supplemental disclosure of cash flow information			
Amount of interest paid in year	\$ 5,786	\$ 5,814	\$ 5,943
Amount of interest received in year	18,001	18,582	17,281
Amount of dividends received in year	106	10	1,313
Amount of income taxes paid in year	1,323	1,286	265

Note 36 Subsequent events
Acquisition and disposition

On November 2, 2015, we completed the acquisition of City National. City National's business will give us an expansion platform for long-term growth in the U.S. By acquiring 100% of the voting equity interests, the acquisition provides us with the opportunity to enhance and complement our existing U.S. businesses in line with our strategic goals. Total consideration of \$7.1 billion (US\$5.5 billion) at the date of close includes US\$2.6 billion in cash, 41.6 million RBC common shares issued at a price of US\$57.16 per share, first preferred shares, Series C-1 and Series C-2 with a fair value of US\$290 million (par value of US\$275 million), issued upon the cancellation of the outstanding City National preferred shares, as well as amounts related to share based compensation. Due to the proximity of the close date to the release date of our Consolidated Financial Statements, we have not finalized the initial accounting for the acquisition as the valuation of assets acquired and liabilities assumed including loans, intangible assets, goodwill, share based compensation and contingent liabilities has not been completed.

On November 4, 2015, we entered into a purchase and sale agreement to sell our trust, custody and fund administration business in the Caribbean to SMP Group Limited. The transaction is subject to customary closing conditions including regulatory approvals.

Capital and funding transactions

On November 2, 2015, we redeemed all \$1.5 billion outstanding 3.18% subordinated debentures due on November 2, 2015 for 100% of their principal amount plus accrued interest to the redemption date.

On November 16, 2015, we announced our intention to redeem all issued and outstanding \$1.2 billion principal amount of RBC TruCS 2015 for cash at a redemption price of \$1,000 per unit. The redemption is expected to be completed on December 31, 2015.

Condensed Balance Sheet

(Millions of Canadian dollars)	IFRS					CGAAP					
	2015	2014	2013	2012	2011	2011	2010	2009	2008	2007	2006
Assets											
Cash and due from banks	\$ 12,452	\$ 17,421	\$ 15,550	\$ 12,428	\$ 12,428	\$ 13,247	\$ 8,440	\$ 7,584	\$ 11,086	\$ 4,226	\$ 4,401
Interest-bearing deposits with banks	22,690	8,399	9,039	10,246	6,460	12,181	13,254	8,919	20,041	11,881	10,502
Securities	215,508	199,148	182,710	161,602	167,022	179,558	183,519	177,298	171,134	178,255	184,869
Assets purchased under reverse repurchase agreements and securities borrowed	174,723	135,580	117,517	112,257	84,947	84,947	72,698	41,580	44,818	64,313	59,378
Loans net of allowance	472,223	435,229	408,850	378,241	347,530	296,284	273,006	258,395	289,540	237,936	208,530
Other	176,612	144,773	126,079	149,180	175,446	165,485	175,289	161,213	187,240	103,735	69,100
Total Assets	\$ 1,074,208	\$ 940,550	\$ 859,745	\$ 823,954	\$ 793,833	\$ 751,702	\$ 726,206	\$ 654,989	\$ 723,859	\$ 600,346	\$ 536,780
Liabilities											
Deposits	\$ 697,227	\$ 614,100	\$ 563,079	\$ 512,244	\$ 479,102	\$ 444,181	\$ 414,561	\$ 378,457	\$ 438,575	\$ 365,205	\$ 343,523
Other	305,675	264,088	239,763	259,174	263,625	256,124	263,030	229,699	242,744	201,404	160,575
Subordinated debentures	7,362	7,859	7,443	7,615	8,749	7,749	6,681	6,461	8,131	6,235	7,103
Trust capital securities	–	–	–	–	894	–	727	1,395	1,400	1,400	1,383
Preferred shares liabilities	–	–	–	–	–	–	–	–	–	300	298
Non-controlling interest in subsidiaries	–	n.a.	n.a.	n.a.	n.a.	1,941	2,256	2,071	2,371	1,483	1,775
Total Liabilities	1,010,264	886,047	810,285	779,033	752,370	709,995	687,255	618,083	693,221	576,027	514,657
Equity attributable to shareholders	62,146	52,690	47,665	43,160	39,702	41,707	38,951	36,906	30,638	24,319	22,123
Non-controlling interest	1,798	1,813	1,795	1,761	1,761	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	63,944	54,503	49,460	44,921	41,463	41,707	38,951	36,906	30,638	24,319	22,123
Total liabilities and equity	\$ 1,074,208	\$ 940,550	\$ 859,745	\$ 823,954	\$ 793,833	\$ 751,702	\$ 726,206	\$ 654,989	\$ 723,859	\$ 600,346	\$ 536,780

Condensed Income Statement

(Millions of Canadian dollars)	IFRS					CGAAP					
	2015	2014	2013	2012	2011	2011	2010	2009	2008	2007	2006
Net interest income	\$ 14,771	\$ 14,116	\$ 13,249	\$ 12,439	\$ 11,357	\$ 10,600	\$ 10,338	\$ 10,705	\$ 9,054	\$ 7,700	\$ 6,796
Non-interest income	20,550	19,992	17,433	16,708	16,281	16,830	15,744	15,736	12,528	14,762	13,481
Total revenue	35,321	34,108	30,682	29,147	27,638	27,430	26,082	26,441	21,582	22,462	20,637
Provision for credit losses (PCL)	1,097	1,164	1,237	1,299	1,133	975	1,240	2,167	1,595	791	429
Insurance policyholder benefits, claims and acquisition expense	2,963	3,573	2,784	3,621	3,358	3,360	3,546	3,042	1,631	2,173	2,509
Non-interest expense (NIE)	18,638	17,661	16,214	14,641	14,167	14,453	13,469	13,436	12,351	12,473	11,495
Non-controlling interest	n.a.	n.a.	n.a.	n.a.	n.a.	104	99	100	81	141	44
Net income from continuing operations	10,026	9,004	8,342	7,558	6,970	6,650	5,732	5,681	4,555	5,492	4,757
Net loss from discontinued operations	–	–	–	(51)	(526)	(1,798)	(509)	(1,823)	–	–	(29)
Net income	10,026	9,004	8,342	7,507	6,444	4,852	5,223	3,858	4,555	5,492	4,728

Other Statistics – reported

(Millions of Canadian dollars, except percentages and per share amounts)

	IFRS					CGAAP					
	2015	2014	2013	2012	2011	2011	2010	2009	2008	2007	2006
PROFITABILITY MEASURES (1)											
Earnings per shares (EPS)											
– basic	\$ 6.75	\$ 6.03	\$ 5.53	\$ 4.96	\$ 4.25	\$ 3.21	\$ 3.49	\$ 2.59	\$ 3.41	\$ 4.24	\$ 3.65
– diluted	\$ 6.73	\$ 6.00	\$ 5.49	\$ 4.91	\$ 4.19	\$ 3.19	\$ 3.46	\$ 2.57	\$ 3.38	\$ 4.19	\$ 3.59
Return on common equity (ROE)	18.6%	19.0%	19.7%	19.6%	18.7%	12.9%	14.9%	11.9%	18.1%	24.7%	23.5%
Return on risk-weighted assets (RWA) (2)	2.45%	2.52%	2.67%	2.70%	2.44%	1.87%	2.03%	1.50%	1.78%	2.23%	2.21%
Efficiency ratio (3)	52.8%	51.8%	52.8%	50.2%	51.3%	52.7%	51.6%	50.8%	57.2%	55.5%	55.7%
KEY RATIOS											
PCL on impaired loans as a % of Average net loans and acceptances	0.24%	0.27%	0.31%	0.35%	0.33%	0.34%	0.45%	0.72%	0.53%	0.33%	0.23%
Net interest margin (total average assets)	1.40%	1.56%	1.56%	1.55%	1.52%	1.49%	1.59%	1.64%	1.39%	1.33%	1.35%
Non-interest income as a % of total revenue	58.2%	58.6%	56.8%	57.3%	58.9%	61.4%	60.4%	59.5%	58.0%	65.7%	67.1%
SHARE INFORMATION (1)											
Common shares outstanding (000s) – end of period	1,443,423	1,442,233	1,441,056	1,445,303	1,438,376	1,438,376	1,424,922	1,417,610	1,341,260	1,276,260	1,280,890
Dividends declared per common share	\$ 3.08	\$ 2.84	\$ 2.53	\$ 2.28	\$ 2.08	\$ 2.08	\$ 2.00	\$ 2.00	\$ 2.00	\$ 1.82	\$ 1.44
Dividend yield	4.1%	3.8%	4.0%	4.5%	3.9%	3.9%	3.6%	4.8%	4.2%	3.3%	3.1%
Dividend payout ratio (2)	46%	47%	46%	46%	45%	47%	52%	52%	59%	43%	40%
Book value per share	\$ 39.51	\$ 33.69	\$ 29.87	\$ 26.52	\$ 24.25	\$ 25.65	\$ 23.99	\$ 22.67	\$ 20.90	\$ 17.49	\$ 16.52
Common share price (RY on TSX) – close, end of period	\$ 74.77	\$ 80.01	\$ 70.02	\$ 56.94	\$ 48.62	\$ 48.62	\$ 54.39	\$ 54.80	\$ 46.84	\$ 56.04	\$ 49.80
Market capitalization (TSX)	107,925	115,393	100,903	82,296	69,934	69,934	77,502	77,685	62,825	71,522	63,788
Market price to book value	1.89	2.38	2.34	2.15	2.00	1.90	2.27	2.42	2.24	3.20	3.01
CAPITAL MEASURES – CONSOLIDATED (4)											
Common Equity Tier 1 capital ratio	10.6%	9.9%	9.6%	n.a.							
Tier 1 capital ratio	12.2%	11.4%	11.7%	13.1%	n.a.	13.3%	13.0%	13.0%	9.0%	9.4%	9.6%
Total capital ratio	14.0%	13.4%	14.0%	15.1%	n.a.	15.3%	14.4%	14.2%	11.0%	11.5%	11.9%
Assets-to-capital multiple	n.a.	17.0X	16.6X	16.7X	n.a.	16.1X	16.5X	16.3X	20.1X	20.0X	19.7X
Leverage Ratio	4.3%	n.a.									

(1) On April 6, 2006, we paid a stock dividend of one common share on each of our issued and outstanding common shares. The effect was the same as two-for-one split of our common shares. All common share and per share information have been adjusted retroactively for the stock dividend.

(2) Return on risk-weighted assets (RWA) for fiscal 2011 is based on RWA reported under CGAAP and Income reported under IFRS.

(3) Ratios for 2009-2012 represent continuing operations.

(4) Effective 2013 we calculate the capital ratios and multiples using the Basel III (all-in basis) framework unless otherwise stated. 2008-2012 capital ratios and multiples were calculated using the Basel II framework. 2004-2007 capital ratios and 2005-2007 asset-to-capital multiples were calculated using the Basel I framework. Capital ratios and multiples for 2011 were determined under Canadian GAAP.

Acceptances

A bill of exchange or negotiable instrument drawn by the borrower for payment at maturity and accepted by a bank. The acceptance constitutes a guarantee of payment by the bank and can be traded in the money market. The bank earns a “stamping fee” for providing this guarantee.

Allowance for credit losses

The amount deemed adequate by management to absorb identified credit losses as well as losses that have been incurred but are not yet identifiable as at the balance sheet date. This allowance is established to cover the lending portfolio including loans, acceptances, guarantees, letters of credit, and unfunded commitments. The allowance is increased by the provision for credit losses, which is charged to income and decreased by the amount of write-offs, net of recoveries in the period.

Alt-A assets

A term used in the U.S. to describe assets (mainly mortgages) with a borrower risk profile between the prime and subprime categorizations. Categorization of assets as Alt-A (as opposed to prime) varies, such as limited verification or documentation of borrowers' income or a limited credit history.

Asset-backed securities (ABS)

Securities created through the securitization of a pool of assets, for example auto loans or credit card loans.

Assets-to-capital multiple (ACM)

Total assets plus specified off-balance sheet items, as defined by OSFI, divided by total regulatory capital on a transitional basis. ACM has been replaced in 2015 by the Basel III Leverage Ratio.

Assets under administration (AUA)

Assets administered by us, which are beneficially owned by clients, as at October 31, unless otherwise noted. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sale transactions, and record keeping.

Assets under management (AUM)

Assets managed by us, which are beneficially owned by clients, as at October 31, unless otherwise noted. Services provided in respect of assets under management include the selection of investments and the provision of investment advice. We have assets under management that are also administered by us and included in assets under administration.

Auction rate securities (ARS)

Securities issued through structured entities that hold long-term assets funded with long-term debt. In the U.S., these securities are issued by sponsors such as municipalities, student loan authorities or other sponsors through bank-managed auctions.

Average earning assets

Average earning assets include interest-bearing deposits with other banks including certain components of cash and due from banks, securities, assets purchased under reverse repurchase agreements and securities borrowed, loans, and excludes segregated fund net assets and other assets. The averages are based on the daily balances for the period.

Bank-owned life insurance contracts (BOLI)

Our legacy portfolio includes BOLI where we provided banks with BOLI stable value agreements (“wraps”), which insure the life insurance policy's cash surrender value from market fluctuations on the underlying investments, thereby allowing us to guarantee a minimum tax-exempt return to the counterparty. These wraps allow us to account for the underlying assets on an accrual basis instead of a mark-to-market basis.

Basis point (bp)

One one-hundredth of a percentage point (.01%).

Collateral

Assets pledged as security for a loan or other obligation. Collateral can take many forms, such as cash, highly rated securities, property, inventory, equipment and receivables.

Collateralized debt obligation (CDO)

Securities with multiple tranches that are issued by structured entities and collateralized by debt obligations including bonds and loans. Each tranche offers a varying degree of risk and return so as to meet investor demand.

Commercial mortgage-backed securities (CMBS)

Securities created through the securitization of commercial mortgages.

Commitments to extend credit

Unutilized amount of credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing, or through off-balance sheet products such as guarantees and letters of credit.

Common Equity Tier 1 (CET1) capital

A regulatory Basel III capital measure comprised mainly of common shareholders' equity less regulatory deductions and adjustments for goodwill and intangibles, defined benefit pension fund assets, shortfall in allowances and other specified items.

Common Equity Tier 1 capital ratio

A risk-based capital measure calculated as CET1 capital divided by risk-weighted assets.

Covered bonds

Full recourse on-balance sheet obligations issued by banks and credit institutions that are also fully collateralized by assets over which investors enjoy a priority claim in the event of an issuer's insolvency.

Credit default swaps (CDS)

A derivative contract that provides the purchaser with a one-time payment should the referenced entity/entities default (or a similar triggering event occur).

Derivative

A contract between two parties, which requires little or no initial investment and where payments between the parties are dependent upon the movements in price of an underlying instrument, index or financial rate. 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.

Dividend payout ratio

Common dividends as a percentage of net income available to common shareholders.

Earnings per share (EPS), basic

Calculated as net income available to common shareholders divided by the average number of shares outstanding.

Earnings per share (EPS), diluted

Calculated as net income available to common shareholders divided by the average number of shares outstanding adjusted for the dilutive effects of stock options and other convertible securities.

Economic capital

An estimate of the amount of equity capital required to underpin risks. It is calculated by estimating the level of capital that is necessary to support our various businesses, given their risks, consistent with our desired solvency standard and credit ratings. The identified risks for which we calculate Economic Capital are credit, market (trading and non-trading), operational, business, fixed asset, and insurance. Additionally, Economic Capital includes goodwill and intangibles, and allows for diversification benefits across risks and business segments.

Fair value

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Funding Valuation Adjustment

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

Gross-adjusted assets (GAA)

GAA are used in the calculation of the Assets-to-Capital multiple. They represent our total assets including specified off-balance sheet items and net of prescribed deductions. Off balance sheet items for this calculation are direct credit substitutes, including letters of credit and guarantees, transaction-related contingencies, trade-related contingencies and sale and repurchase agreements. Commencing Q1/15, the Asset-to-capital multiple and GAA have been replaced by with the leverage ratio and leverage ratio exposure respectively.

Guarantees and standby letters of credit

These primarily represent irrevocable assurances that a bank will make payments in the event that its client cannot meet its financial obligations to third parties. Certain other guarantees, such as bid and performance bonds, represent non-financial undertakings.

Hedge

A risk management technique used to mitigate exposure from market, interest rate or foreign currency exchange risk arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset with liabilities in the same currencies or through the use of foreign exchange hedging instruments such as futures, options or foreign exchange contracts.

Hedge funds

A type of investment fund, marketed to accredited high net worth investors, that is subject to limited regulation and restrictions on its investments compared to retail mutual funds, and that often utilize aggressive strategies such as selling short, leverage, program trading, swaps, arbitrage and derivatives.

High-quality liquid assets (HQLA)

Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss of value during a time of stress.

Home equity products

This is comprised of residential mortgages and secured personal loans whereby the borrower pledges real estate as collateral.

International Financial Reporting Standards (IFRS)

IFRS are principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board.

Impaired loans

Loans are classified as impaired when there has been a deterioration of credit quality to the extent that management no longer has reasonable assurance of timely collection of the full amount of principal and interest in accordance with the contractual terms of the loan agreement. Credit card balances are not classified as impaired as they are directly written off after payments are 180 days past due.

Innovative capital instruments

Innovative capital instruments are capital instruments issued by structured entities, whose primary purpose is to raise capital. We previously issued innovative capital instruments, RBC Trust Capital Securities (RBC TruCS) and RBC Trust Subordinated Notes (RBC TSNs), through three structured entities: RBC Capital Trust, RBC Capital Trust II and RBC Subordinated Notes Trust. As per OSFI Basel III guidelines, non-qualifying innovative capital instruments treated as additional Tier 1 capital are subject to phase out over a ten year period beginning on January 1, 2013.

Leverage Ratio

A Basel III regulatory measure, the ratio divides Tier 1 capital by the sum of total assets plus specified off-balance sheet items.

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio is a Basel III metric that measures the sufficiency of HQLA available to meet net short-term financial obligations over a thirty day period in an acute stress scenario.

Loan-to-value (LTV) ratio

Calculated based on the total facility amount for the residential mortgage and homeline product divided by the value of the related residential property.

Master netting agreement

An agreement between us and a counterparty designed to reduce the credit risk of multiple derivative transactions through the creation of a legal right of offset of exposure in the event of a default.

Net interest income

The difference between what is earned on assets such as loans and securities and what is paid on liabilities such as deposits and subordinated debentures.

Net interest margin (average assets)

Net interest income as a percentage of total average assets.

Net interest margin (on average earning assets)

Calculated as net interest income divided by average earning assets.

Normal course issuer bid (NCIB)

A program for the repurchase of our own shares for cancellation through a stock exchange that is subject to the various rules of the relevant stock exchange and securities commission.

Notional amount

The contract amount used as a reference point to calculate payments for derivatives.

Off-balance sheet financial instruments

A variety of arrangements offered to clients, which include credit derivatives, written put options, backstop liquidity facilities, stable value products, financial standby letters of credit, performance guarantees, credit enhancements, mortgage loans sold with recourse, commitments to extend credit, securities lending, documentary and commercial letters of credit, note issuances and revolving underwriting facilities, securities lending indemnifications and indemnifications.

Office of the Superintendent of Financial Institutions Canada (OSFI)

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

Operating leverage

The difference between our revenue growth rate and non-interest expense growth rate.

Options

A contract or a provision of a contract that gives one party (the option holder) the right, but not the obligation, to perform a specified transaction with another party (the option issuer or option writer) according to specified terms.

Primary dealer

A formal designation provided to a bank or securities broker-dealer permitted to trade directly with a country's central bank. Primary dealers participate in open market operations, act as market-makers of government debt and provide market information and analysis to assist with monetary policy.

Provision for credit losses (PCL)

The amount charged to income necessary to bring the allowance for credit losses to a level determined appropriate by management. This includes both specific and general provisions.

Repurchase agreements

These involve the sale of securities for cash and the simultaneous repurchase of the securities for value at a later date. These transactions normally do not constitute economic sales and therefore are treated as collateralized financing transactions.

Residential mortgage-backed securities (RMBS)

Securities created through the securitization of residential mortgage loans.

Return on common equity (ROE)

Net income available to common shareholders, expressed as a percentage of average common equity.

Reverse repurchase agreements

These involve the purchase of securities for cash and the simultaneous sale of the securities for value at a later date. These transactions normally do not constitute economic sales and therefore are treated as collateralized financing transactions.

Risk-weighted assets (RWA)

Assets adjusted by a regulatory risk-weight factor to reflect the riskiness of on and off-balance sheet exposures. Certain assets are not risk-weighted, but deducted from capital. The calculation is defined by guidelines issued by OSFI. For more details, refer to the Capital management section.

Securities lending

Transactions in which the owner of a security agrees to lend it under the terms of a prearranged contract to a borrower for a fee. The borrower must collateralize the security loan at all times. An intermediary such as a bank often acts as agent for the owner of the security. There are two types of securities lending arrangements: lending with and without credit or market risk indemnification. In securities lending without indemnification, the bank bears no risk of loss. For transactions in which the bank provides an indemnification, it bears the risk of loss if the borrower defaults and the value of the collateral declines concurrently.

Securities sold short

A transaction in which the seller sells securities and then borrows the securities in order to deliver them to the purchaser upon settlement. At a later date, the seller buys identical securities in the market to replace the borrowed securities.

Securitization

The process by which various financial assets are packaged into newly issued securities backed by these assets.

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the activities that significantly affect the entity's returns are directed by means of contractual arrangements. Structured entities often have restricted activities, narrow and well defined objectives, insufficient equity to finance their activities, and financing in the form of multiple contractually-linked instruments.

Standardized Approach

Risk weights prescribed by OSFI are used to calculate risk-weighted assets for the credit risk exposures. Credit assessments by OSFI-recognized external credit rating agencies of S&P, Moody's, Fitch and DBRS are used to risk-weight our Sovereign and Bank exposures based on the standards and guidelines issued by OSFI. For our Business and Retail exposures, we use the standard risk weights prescribed by OSFI.

Structured investment vehicle

Managed investment vehicle that holds mainly highly rated asset-backed securities and funds itself using the short-term commercial paper market as well as the medium-term note (MTN) market.

Subprime loans

Subprime lending is the practice of making loans to borrowers who do not qualify for the best market interest rates because of their deficient credit history. Subprime lending carries more risk for lenders due to the combination of higher interest rates for the borrowers, poorer credit histories, and adverse financial situations usually associated with subprime applicants.

Taxable equivalent basis (teb)

Income from certain specified tax advantaged sources (eligible Canadian taxable corporate dividends) is increased to a level that would make it comparable to income from taxable sources. There is an offsetting adjustment in the tax provision, thereby generating the same after-tax net income.

Tier 1 capital

Tier 1 capital comprises predominantly of CET1 capital, with additional Tier 1 items such as preferred shares, innovative instruments and non-controlling interests in subsidiaries Tier 1 instruments.

Tier 2 capital

Tier 2 capital consists mainly of subordinated debentures that meet certain criteria, certain loan loss allowances and non-controlling interests in subsidiaries' Tier 2 instruments.

Total capital and total capital ratio

Total capital is defined as the total of Tier 1 and Tier 2 capital. The total capital ratio is calculated by dividing total capital by risk-weighted assets.

Tranche

A security class created whereby the risks and returns associated with a pool of assets are packaged into several classes of securities offering different risk and return profiles from those of the underlying asset pool. Tranches are typically rated by ratings agencies, and reflect both the credit quality of underlying collateral as well as the level of protection based on the tranches' relative subordination.

Trust Capital Securities (RBC TruCS)

Transferable trust units issued by structured entities RBC Capital Trust or RBC Capital Trust II for the purpose of raising innovative Tier 1 capital.

Value-at-Risk (VaR)

A generally accepted risk-measurement concept that uses statistical models based on historical information to estimate within a given level of confidence the maximum loss in market value we would experience in our trading portfolio from an adverse one-day movement in market rates and prices.

Directors and executive officers

Directors

W. Geoffrey Beattie (2001) <i>Toronto, Ontario</i> Chief Executive Officer Generation Capital	Alice D. Laberge (2005) <i>Vancouver, British Columbia</i> Corporate Director	J. Pedro Reinhard (2000) <i>Key Biscayne, Florida</i> President Reinhard & Associates	Bridget A. van Kralingen (2011) <i>New York, New York</i> Senior Vice President IBM Global Business Services IBM Corporation
Jacynthe Côté (2014) <i>Montreal, Quebec</i> Corporate Director	Michael H. McCain (2005) <i>Toronto, Ontario</i> President and Chief Executive Officer Maple Leaf Foods Inc.	Thomas A. Renyi (2013) <i>New Harbor, Maine</i> Corporate Director	Thierry Vandal (2015) <i>New York, New York</i> President Axiom Infrastructure US Inc.
Toos N. Daruvala (2015) <i>New York, New York</i> Director and Senior Partner McKinsey & Company	David I. McKay (2014) <i>Toronto, Ontario</i> President and Chief Executive Officer Royal Bank of Canada	Edward Sonshine , O.Ont., Q.C. (2008) <i>Toronto, Ontario</i> Chief Executive Officer RioCan Real Estate Investment Trust	Victor L. Young , O.C. (1991) <i>St. John's, Newfoundland and Labrador</i> Corporate Director
David F. Denison , O.C., FCPA, FCA (2012) <i>Toronto, Ontario</i> Corporate Director	Heather Munroe-Blum , O.C., O.Q., Ph.D., FRSC (2011) <i>Montreal, Quebec</i> Professor Emerita and Principal Emerita McGill University	Kathleen P. Taylor (2001) <i>Toronto, Ontario</i> Chair of the Board Royal Bank of Canada	
Richard L. George , O.C. (2012) <i>Calgary, Alberta</i> Partner, Novo Investment Group			

The date appearing after the name of each director indicates the year in which the individual became a director.

Group Executive

Janice R. Fukakusa , FCPA, FCA Chief Administrative Officer and Chief Financial Officer	Zabeen Hirji Chief Human Resources Officer	A. Douglas McGregor Group Head, Capital Markets and Investor & Treasury Services	Bruce Ross Group Head, Technology & Operations
Doug Guzman ⁽¹⁾ Group Head, Wealth Management and Insurance	Mark Hughes Chief Risk Officer	David I. McKay President and Chief Executive Officer	Jennifer Tory Group Head, Personal & Commercial Banking

(1) Effective November 1, 2015, Doug Guzman was appointed Group Head, Wealth Management and Insurance, replacing M. George Lewis, who is continuing as a Senior Portfolio Manager, RBC Global Asset Management.

Principal subsidiaries

Principal subsidiaries (1)	Principal office address (2)	Carrying value of voting shares owned by the Bank (3)
Royal Bank Holding Inc.	Toronto, Ontario, Canada	\$ 48,117
Royal Mutual Funds Inc.	Toronto, Ontario, Canada	
RBC Insurance Holdings Inc.	Mississauga, Ontario, Canada	
RBC General Insurance Company	Mississauga, Ontario, Canada	
RBC Insurance Company of Canada	Mississauga, Ontario, Canada	
RBC Life Insurance Company	Mississauga, Ontario, Canada	
RBC Direct Investing Inc.	Toronto, Ontario, Canada	
RBC Phillips, Hager & North Investment Counsel Inc.	Toronto, Ontario, Canada	
R.B.C. Holdings (Bahamas) Limited	Nassau, New Providence, Bahamas	
RBC Caribbean Investments Limited	George Town, Grand Cayman, Cayman Islands	
Royal Bank of Canada Insurance Company Ltd.	St. Michael, Barbados	
Investment Holdings (Cayman) Limited	George Town, Grand Cayman, Cayman Islands	
RBC (Barbados) Funding Ltd.	St. Michael, Barbados	
RBC Capital Markets Arbitrage S.A.	Luxembourg, Luxembourg	
Capital Funding Alberta Limited	Calgary, Alberta, Canada	
RBC Global Asset Management Inc.	Toronto, Ontario, Canada	
RBC Investor Services Trust	Toronto, Ontario, Canada	
RBC Investor Services Bank S.A.	Esch-sur-Alzette, Luxembourg	
RBC (Barbados) Trading Bank Corporation	St. James, Barbados	
BlueBay Asset Management (Services) Ltd	London, England	
RBC USA Holdco Corporation (2)	New York, New York, U.S.	13,558
RBC Capital Markets, LLC (2)	New York, New York, U.S.	
RBC Global Asset Management (U.S.) Inc.	Minneapolis, Minnesota, U.S.	
RBC Dominion Securities Limited	Toronto, Ontario, Canada	7,326
RBC Dominion Securities Inc.	Toronto, Ontario, Canada	
RBC Holdings (Barbados) Ltd.	St. Michael, Barbados	3,479
RBC Financial (Caribbean) Limited	Port of Spain, Trinidad and Tobago	
RBC Finance S.à r.l./B.V. (2)	Amsterdam, Netherlands	3,282
RBC Holdings (Luxembourg) S.A R.L.	Luxembourg, Luxembourg	
RBC Holdings (Channel Islands) Limited	Jersey, Channel Islands	
Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands	
RBC Capital Trust	Toronto, Ontario, Canada	2,133
RBC Europe Limited	London, England	1,860
Royal Bank Mortgage Corporation	Toronto, Ontario, Canada	1,060
The Royal Trust Company	Montreal, Quebec, Canada	572
RBC Bank (Georgia), National Association (2)	Atlanta, Georgia, U.S.	326
Royal Trust Corporation of Canada	Toronto, Ontario, Canada	243
RBC Covered Bond Guarantor Limited Partnership	Toronto, Ontario, Canada	237

(1) The Bank directly or indirectly controls each subsidiary.

(2) Each subsidiary is incorporated or organized under the law of the state or country in which the principal office is situated, except for RBC USA Holdco Corporation which is incorporated under the laws of the State of Delaware, U.S., RBC Capital Markets, LLC, which is organized under the laws of the State of Minnesota, U.S. RBC Finance S.à r.l. / B.V. is a company incorporated in the Netherlands with its official seat in Amsterdam, the Netherlands, and place of effective management, central administration, and principal establishment in Luxembourg, Grand Duchy of Luxembourg. RBC Bank (Georgia), National Association is a national banking association organized under the laws of the U.S. with its main office in Atlanta, Georgia and management offices in Raleigh, North Carolina.

(3) The carrying value (in millions of Canadian dollars) of voting shares is stated as the Bank's equity in such investments.

Shareholder Information

Corporate headquarters

Street address:
Royal Bank of Canada
200 Bay Street
Toronto, Ontario M5J 2J5
Canada
Tel: 1-888-212-5533

Mailing address:
P.O. Box 1
Royal Bank Plaza
Toronto, Ontario M5J 2J5
Canada
website: rbc.com

Transfer Agent and Registrar

Main Agent:
Computershare Trust
Company of Canada
1500 Robert Bourassa Blvd.
Suite 700
Montreal, Quebec H3A 3S8
Canada
Tel: 1-866-586-7635 (Canada and
the U.S.) or 514-982-7555
(International)
Fax: 514-982-7580
website: computershare.com/rbc

Co-Transfer Agent (U.S.):
Computershare Trust
Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
U.S.A.

Co-Transfer Agent (U.K.):
Computershare Investor
Services PLC
Securities Services – Registrars
P.O. Box 82, The Pavilions,
Bridgwater Road,
Bristol BS99 6ZZ
U.K.

Stock exchange listings

(Symbol: RY)

Common shares are listed on:
Canada – Toronto Stock
Exchange (TSX)
U.S. – New York Stock Exchange
(NYSE)
Switzerland – Swiss Exchange
(SIX)

All preferred shares are listed on
the TSX with the exception of the
series C-1 and C-2. The related
depository shares of the series
C-1 and C-2 preferred shares are
listed on the NYSE.

Valuation day price

For capital gains purposes, the
Valuation Day (December 22,
1971) cost base for our common
shares is \$7.38 per share. This
amount has been adjusted to
reflect the two-for-one share split
of March 1981 and the two-for-
one share split of February 1990.
The one-for-one share dividends
paid in October 2000 and April
2006 did not affect the Valuation
Day value for our common
shares.

Shareholder contacts

For dividend information, change
in share registration or address,
lost stock certificates, tax forms,
estate transfers or dividend
reinvestment, please contact:
Computershare Trust Company of
Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Canada

Tel: 1-866-586-7635 (Canada and
the U.S.) or 514-982-7555
(International)
Fax: 1-888-453-0330 (Canada and
the U.S.) or 416-263-9394
(International)
email: service@computershare.com

For other shareholder inquiries,
please contact:
Shareholder Relations
Royal Bank of Canada
200 Bay Street
South Tower
Toronto, Ontario M5J 2J5
Canada
Tel: 416-955-7806

Financial analysts, portfolio managers, institutional investors

For financial information inquiries,
please contact:
Investor Relations
Royal Bank of Canada
200 Bay Street
North Tower
Toronto, Ontario M5J 2W7
Canada
Tel: 416-955-7802

or visit our website at
rbc.com/investorrelations

Direct deposit service

Shareholders in Canada and the
U.S. may have their RBC common
share dividends deposited directly
to their bank account by
electronic funds transfer. To
arrange for this service, please
contact our Transfer Agent and
Registrar, Computershare Trust
Company of Canada.

Eligible dividend designation

For purposes of the enhanced
dividend tax credit rules
contained in the *Income Tax Act*
(Canada) and any corresponding
provincial and territorial tax
legislation, all dividends (and
deemed dividends) paid by us to
Canadian residents on our
common and preferred shares
after December 31, 2005, are
designated as “eligible
dividends”.
Unless stated otherwise, all
dividends (and deemed
dividends) paid by us hereafter
are designated as “eligible
dividends” for the purposes of
such rules.

2016 Quarterly earnings release dates

First quarter	February 24
Second quarter	May 26
Third quarter	August 24
Fourth quarter	November 30

2016 Annual Meeting

The Annual Meeting of Common
Shareholders will be held on
Wednesday, April 6, 2016, at
9:30am (Eastern Time) at the
Mount Royal Centre, Auditorium,
2200 Mansfield Street, Montreal,
Quebec, Canada.

Dividend dates for 2016

Subject to approval by the Board of Directors

	Ex-dividend dates	Record dates	Payment dates
Common and preferred shares series W, AA, AB, AC, AD, AE, AF, AG, AJ, AK, AL, AZ, BB, BD, BF, BH, BI, and BJ	January 22 April 21 July 22 October 24	January 26 April 25 July 26 October 26	February 24 May 24 August 24 November 24
Preferred shares series C-1 (US\$)	February 3 April 29 August 3 November 2	February 5 May 3 August 5 November 4	February 15 May 13 August 15 November 14
Preferred shares series C-2 (US\$)	January 27 April 27 July 27 October 26	January 29 April 29 July 29 October 28	February 8 May 9 August 8 November 7

Governance

A summary of the significant ways in which corporate governance
practices followed by RBC differ from corporate governance practices
required to be followed by U.S. domestic companies under the NYSE
listing standards is available on our website at rbc.com/governance.

Information contained in or otherwise accessible through the websites mentioned in this report to shareholders does not form a part of this report. All references to websites are inactive textual references and are for your information only.

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ROYAL BANK OF CANADA ANNUAL REPORT 2014



RBC IS A GLOBAL LEADER

Royal Bank of Canada is the largest bank in Canada, and the 12th largest bank in the world, based on market capitalization. Our approximately 78,000 employees serve over 16 million personal, business and corporate clients across a diversified mix of businesses in 40 countries.

Our values define who we are:

Service – Excellent service to clients and each other

Teamwork – Working together to succeed

Responsibility – Personal responsibility for high performance

Diversity – Diversity for growth and innovation

Integrity – Trust through integrity in everything we do

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rbc.com



To view our online annual report, please visit:
rbc.com/ar2014

WE HAVE A FOCUSED STRATEGY

Our client focus, diversified business model and commitment to our long-term strategic priorities have been fundamental to our growth and success in the past, and will allow us to continue to create value in the future.

STRATEGIC GOALS



In Canada, to be the undisputed leader in financial services



Globally, to be a leading provider of capital markets, investor and wealth management solutions



In targeted markets, to be a leading provider of select financial services complementary to our core strengths

2014 KEY HIGHLIGHTS

- ▶ Gained market share across key businesses and client segments
- ▶ Delivered solid volume growth (loans and deposits)
- ▶ Launched new products to meet clients' evolving needs
- ▶ Continued to lead the Canadian league tables
- ▶ Recognized as Canada's most valuable brand

- ▶ Expanded international distribution of our U.S. and global asset management business
- ▶ Deepened offering and capabilities in key markets to win new clients and mandates and to grow market share
- ▶ Strategically added top talent within capital markets and wealth management in the U.S. and internationally

- ▶ Continued to optimize Caribbean banking operations for efficiency and profitability
- ▶ Strengthened our cross-border banking business in the U.S.

2015 STRATEGIC PRIORITIES

1. **Extend lead in Canada** through largest distribution network and increased efficiency
2. **Deepen presence in the U.S., U.K./Europe and key international hubs** by expanding capabilities, offering and distribution
3. **Lead change** with differentiated experiences to help clients achieve their goals
4. **Pursue balanced growth opportunities** and disciplined use of capital to create value for the long term
5. **Maintain robust risk management** staying within our risk appetite across our diversified business model

WE CREATE LONG-TERM VALUE

We delivered record earnings and strong returns to shareholders. In 2014, we grew earnings by 8%, increased our quarterly dividend by 12% compared to last year, delivered strong return on equity (ROE) of 19% and maintained a robust capital ratio of 9.9%.

Financial Performance Metric	MEDIUM-TERM OBJECTIVE (3 TO 5-YEAR)	2014 RESULTS	ACHIEVED
Diluted EPS Growth	7%+	9.3%	✓
Return on Equity	18%+	19.0%	✓
Capital Ratios (CET1)	Strong	9.9%	✓
Dividend Payout Ratio	40%–50%	47%	✓

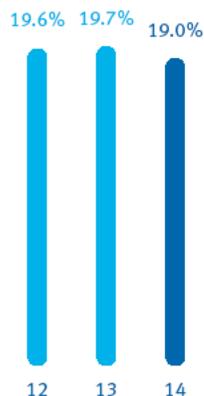
Strong Earnings

NET INCOME
(C\$ BILLION)



Profitable Growth

RETURN ON EQUITY
(ROE)



Financial Strength

COMMON EQUITY TIER 1 (CET1)
CAPITAL RATIO



Delivered Returns to Shareholders

DIVIDENDS DECLARED
PER SHARE



Over the past decade, we've delivered a strong annualized total shareholder return (TSR) of 14%, second highest among our global peer group. Our strong TSR has been underpinned by consistent financial performance and low earnings volatility.

Total Shareholder Return¹

	ONE-YEAR	THREE-YEAR	FIVE-YEAR	TEN-YEAR
RBC	19%	23%	12%	14%
Global Peer Average	11%	19%	8%	5%

1. Compounded annually, as at October 31, 2014. The peer group average excludes RBC; for more information on the list of 19 financial institutions in the peer group, refer to the Financial performance section of our 2014 Management's Discussion and Analysis.

WE HAVE FIVE KEY STRENGTHS THAT DRIVE OUR SUCCESS

Our key strengths underpin past performance and provide a strong foundation for future growth. These strengths enable us to successfully deliver on our strategy.

CLIENT FOCUS

- ▶ Named **Bank of the Year** for Canada¹
- ▶ **Best-in-class** client service, wealth planning and trust offerings²
- ▶ Received **Best Banking** awards for financial planning, advice and channel excellence³
- ▶ Recognized as a global leader among investment banks in **expertise and skill**⁴

SIZE & SCALE IN CANADA WITH GLOBAL REACH

- ▶ **Largest** bank in Canada by market capitalization⁵
 - 5th in North America
 - 12th globally
- ▶ 40 countries
- ▶ ~78,000 employees
- ▶ ~16 million clients
- ▶ 4.5+ million active online & mobile clients
- ▶ ~1,400 branches

DIVERSIFIED BUSINESS MODEL

- ▶ **Diversified** by business, geography and client segment
- ▶ 37% of revenue from **outside Canada**



FINANCIAL STRENGTH & PRUDENT RISK MANAGEMENT

- ▶ **Consistent** earnings and dividend growth
- ▶ **Strong** capital position and credit ratings
- ▶ **Prudent** risk management built on a culture of doing what's right

EMPLOYEES, BRAND & REPUTATION

- ▶ Named one of the **Best Workplaces in Canada**⁶ for the 6th consecutive year while attracting talented employees globally
- ▶ Canada's **most valuable** brand and 16th most valuable bank brand globally⁷
- ▶ One of the World's **Most Admired Companies**⁸



1. *The Banker*.
 2. Private Banker International.
 3. Ipsos – Best Banking Awards.
 4. *The Economist*.

5. Bloomberg as at Oct. 31, 2014.
 6. The Great Place to Work® Institute.
 7. Brand Finance.
 8. *Fortune*.

WE DELIVER STABILITY & OPPORTUNITY THROUGH DIVERSIFICATION

We serve our clients through a number of business lines across many geographies. We're confident we have the right mix to deepen client relationships, benefit from growth opportunities and support consistent performance over the long term. Our diversified business model positions us well to deliver superior returns and earnings stability through the business cycle.

12%

WEALTH MANAGEMENT

- ▶ Top 5 global wealth manager¹ and top 50 global asset manager²
 - Among the fastest-growing asset managers in the world²
 - #1 in Canada in mutual funds³
 - Top 10 full-service brokerage firm in the U.S.⁴

9%

INSURANCE

- ▶ Among the fastest-growing insurance organizations in Canada⁵
- ▶ One of the largest Canadian bank-owned insurance organizations

5%

INVESTOR & TREASURY SERVICES

- ▶ Top 10 global custodian⁶
- ▶ Best overall global custodian⁷

51%

PERSONAL & COMMERCIAL BANKING

- ▶ #1 or #2 market share in all Canadian banking retail product categories
- ▶ Largest distribution network in Canada
- ▶ Recognized as the Global Retail Bank of the Year¹¹
- ▶ First bank globally to provide a cloud-based mobile payment solution offering clients a choice of paying with credit or debit, and the first in North America to offer the flexibility to pay a friend through Facebook Messenger



23%

CAPITAL MARKETS

- ▶ Top 10 global investment bank⁸
 - #1 in Canada
- ▶ Recognized as the Most Trusted Investment Bank in the World⁹
- ▶ Named Best Investment Bank in Canada across Equity, Debt and M&A for the 7th consecutive year¹⁰

* Amounts exclude Corporate Support

1. By client assets – Scorpio Partnership's 2014 Global Private Banking Benchmark.
2. Pensions & Investments and Towers Watson 2014 Global Asset Manager Ranking Report.
3. By assets – Investment Funds Institute of Canada (IFIC) as at September, 2014.
4. By assets and advisors – Company data.
5. Company data.
6. By AUA.
7. *Global Investor*.
8. Thomson Reuters by fees.
9. *The Economist*.
10. *Euromoney*.
11. *Retail Banker International*.



For more awards, please visit: rbc.com/aboutus/awards

WE MAKE COMMUNITIES STRONGER

We contributed more than \$100 million this year to causes that will have a positive and lasting social, economic and environmental impact for generations to come. We are actively involved with charitable organizations around the world and we support our employees in their volunteering efforts.

RBC KIDS PLEDGE: \$100 MILLION. 5 YEARS.



We believe kids are our future: for our economic prosperity, the health of the planet and the hope for our communities.

The RBC Kids Pledge is a commitment to improve the well-being of at least 1 million kids and youth. We believe kids need and deserve our complete commitment so they can be healthy in mind, body and spirit. This pledge consolidates our support for a diverse range of arts, sports, wellness, education and employment programs to help kids reach their full potential.

When you believe in kids, they can do anything.



Employees laced up their running shoes to take part in RBC Run/Race for the Kids events globally to help raise funds for local children's charities.

RBC BLUE WATER PROJECT®: \$50 MILLION. 10 YEARS.



We help provide access to drinkable, swimmable, fishable water now and for future generations.

The RBC Blue Water Project is our global charitable commitment that is dedicated to protecting fresh water and promoting responsible water use. This year, RBC Blue Water Project Leadership and Community Action Grants provided funding for protection and preservation programs.



On RBC Blue Water Day, more than 20,000 employees rolled up their sleeves and participated in over 700 'clean up,' 'plant some green' and 'cultivate awareness' makeover events to help protect water.

WE ALSO INVEST IN A WIDE RANGE OF EDUCATION, HEALTH, ARTS & CULTURE, ENVIRONMENT AND SPORTS PROGRAMS AND ORGANIZATIONS



For more information, please visit: RBC Corporate Responsibility Review at rbc.com/community-sustainability

MESSAGE FROM DAVE MCKAY

Dave McKay
President and Chief Executive Officer

Dear fellow shareholders,

Let me begin this letter by saying that I'm honoured to serve as your President and Chief Executive Officer. I started my career at RBC more than 25 years ago as a summer student. As I worked in different businesses, functions and locations over the years, I was always impressed by the calibre of people who work here. Today, I'm privileged to lead this tremendous team with a shared commitment to building on RBC's proud history of more than 150 years.

Six years after the financial crisis it feels like the global economy has begun to turn a corner. The Canadian and U.S. economies continued to improve throughout the year. While the central banks of both countries maintained historically low interest rates, we saw lower unemployment, higher consumer spending and improved housing market activity – all signals of healthy economic activity. The U.S. Federal Reserve ended its asset purchase program in October, further proof that the U.S. economy is back on track. While growth in Europe was slow, the U.K. continued to be a good news story in the region. Across the banking industry, regulation continued to be a key theme.

Delivering record financial results in 2014 for our shareholders

Against this backdrop, I'm pleased to report that 2014 was a record year for RBC. We continued to extend our leadership position in Canada and build our businesses in select global markets. We earned \$9 billion,

up 8 per cent from last year, reflecting record results in all of our business segments.

With these results, we achieved all of our financial objectives. We earned \$6.00 per share (diluted EPS) with a return on equity of 19 per cent, and we ended the year with a strong Common Equity Tier 1 capital ratio of 9.9 per cent.

These financial objectives measure progress toward our medium-term objective of maximizing Total Shareholder Returns (TSR). We delivered compound annual TSR of 23 per cent and 12 per cent over the three- and five-year periods. During 2014, our one-year TSR was 19 per cent. We raised our dividend twice during 2014 for a combined increase of 12 per cent while repurchasing shares, and we renewed our share buyback program for 2015.

Building on our strengths to grow our businesses

Looking ahead, we understand the drivers of growth will be different from those in the past decade, and I feel confident RBC can adapt to changes and capitalize on new opportunities including the shift in demographics, the emergence of new technologies and the changing needs and preferences of our clients.

We know the pace of consumer borrowing in Canada will continue to moderate following many years of strong credit growth, and that the shift to savings and investing will accelerate. In fact, investments are forecast to grow three

I am enormously proud of what we've achieved together and incredibly excited for the opportunities that lie ahead

times faster than credit over the next decade. RBC is extremely well positioned to serve our clients as we are the largest mutual fund provider in our home market, selling almost twice as many mutual funds as our nearest bank competitor. We also have the largest full-service wealth management business with leading market share for high-net-worth individuals in Canada, and we have the most mobile and branch-based investment and financial planners to serve our clients. We are also among the fastest-growing insurance organizations in Canada.

As the market leader in business financial services in Canada, we see opportunity from the growing demand for credit from businesses, especially as improvements in the U.S. economy help foster greater confidence to spur investing. Additionally, with over 45 per cent of businesses expected to change ownership in the next five to 10 years, we are well placed to help business owners plan for succession and with the transition itself – by finding a buyer, financing the transaction and managing their new wealth.

ANNOUNCED 37% TOTAL INCREASE TO QUARTERLY DIVIDENDS OVER 3 YEARS

There is no question our home market is a competitive banking environment and pressure from continued low interest rates will remain a headwind for our business next year. Within this context, we are committed to improving on our industry leading efficiency ratio and deepening client relationships through cross-sell, a proven capability for RBC. Overall, I believe we can continue to extend our lead in Canada to deliver profitable growth.

Globally, we have the right strategies to build leadership in select businesses and markets where our strengths can help us win.

We have a strong presence in the U.S., an advantage given the expected growth in the American economy. In our Capital Markets business, the U.S. now accounts for more than 50 per cent of revenue, reflecting strong client acquisition over the past number of years, and we are focused on building deeper relationships with those clients. Our U.S. Wealth Management business is the seventh-largest full-service brokerage by assets and we are broadening our product offering. Over the last few years we've also added global fixed income and equity capabilities to our asset management business in that market, which continues to grow.

In the U.K. and Europe, we are building our presence, adding expertise across wealth management, asset management and capital markets, and benefitting from RBC's brand and reputation. Given the challenging economic environment, we are taking a prudent approach to building our

capabilities as we know the recovery will take some time. I am encouraged by our progress in these markets and expect it to continue. In Capital Markets, we are increasingly winning corporate and investment banking mandates. We are among the fastest growing asset managers with strong momentum outside of Canada. With its reputation for service excellence, our Investor & Treasury Services business is also well positioned for expansion in the global investment industry.

Across all of our businesses advancements in technology are changing client expectations, transforming business models and redefining the competitive landscape. Meanwhile, the regulatory environment for banks will continue to evolve. Our financial strength gives us the flexibility to effectively manage regulatory changes while investing in our businesses. We have digitized and simplified processes to lower costs and deliver a faster, better client experience, and are investing in our technology and innovation to shape the future with new products and services. For example, this year we launched a new system that automates many of the steps in processing a new mortgage to deliver faster service, and we are a leader in emerging payment solutions.

Looking ahead, we will maintain our balanced and disciplined approach to capital deployment. Our first priority will remain investing in our existing businesses to generate strong returns.

Second, we remain committed to returning capital to shareholders through dividend increases and share buybacks. And lastly, we will consider targeted acquisitions that fit our strategy and risk appetite, and deliver strong returns for our shareholders over the long term.

Bringing the best of RBC to our clients

United by our vision of always earning the right to be our clients' first choice, we put customers at the centre of everything that we do.

Whether it's helping them buy their first home, start their own business, travel worry-free, pay for their children's education or prepare for a comfortable retirement, we enable more than 16 million clients in achieving their goals. At the end of 2014, we funded \$231 billion in mortgages and lines of credit for homeowners in Canada and \$5 billion in small business loans for Canadian entrepreneurs. We grew the assets entrusted to us by investors around the world by 13 per cent this year.

We loaned nearly \$110 billion to medium and large companies around the world to help them build their businesses, and ensured our institutional clients could make informed decisions by providing top-ranked research and investment solutions in key international markets.

NAMED BANK OF THE YEAR FOR CANADA¹

Creating opportunities for our employees

Our employees' passion for helping clients succeed is second to none. They represent our brand with pride. I'm particularly proud of how much our employees care about doing what's right. Our people, culture and brand are a true differentiator wherever we do business.

We enable success by fostering an environment of respect and inclusion where everyone can contribute and achieve their potential. The diversity of our workforce brings different perspectives and abilities and plays a central role in serving our clients and driving productivity, innovation and growth.

Making a positive difference in communities

One of the things that defines RBC is the positive social, economic and environmental impact we make in communities. In 2014, we invested more than \$100 million in community efforts, shared our expertise and provided nearly 2,500 RBC Employee Volunteer grants. We're on track to improve the well-being of at least one million kids and youth through our multi-year, \$100-million RBC Kids Pledge. A key element of that commitment is the RBC Run/Race for the Kids, which took place in seven cities around the world, and this year more than 8,000 employees, their families and friends ran with us in support of local

children's charities. Our employees are also tremendous supporters of the RBC Blue Water Project, our commitment to protecting fresh water for generations to come.

Thank you

Thank you to our clients who choose to place their trust in us, and to our employees who work so hard to help them succeed.

I'd like to acknowledge and thank Gordon Nixon, who retired as CEO this year, for his leadership of a truly world-class organization, and for leaving the company with the strength and depth to build for the future. And finally, I'd like to express my gratitude to the Board of Directors for their continued insight and counsel.

And to you, our shareholders, we are committed to delivering high-quality growth, industry-leading returns and long-term value. I am enormously proud of what RBC has achieved and incredibly excited for the opportunities that lie ahead.



President and Chief Executive Officer

We serve more than 25% of active Canadian digital banking clients²

We have more than 30% share of all mutual funds sold by banks in Canada – other banks have less than 20%³

Awarded Best Fund Group Overall⁴

Named Most Trusted Investment Bank in the World⁵

1. *The Banker*.
2. Finalta Digital and Multichannel Banking Benchmark 2014 Study – Big 5 Canadian banks.
3. Investment Funds Institute of Canada, September 2014.
4. 2014 Lipper Canada Fund Awards.
5. *The Economist*.

MESSAGE FROM KATIE TAYLOR



Katie Taylor, Chair of the Board

Dear fellow shareholders,

It is an honour to take on the role of Chair, more than a decade after first joining RBC's Board of Directors in 2001.

Over the years the Board has overseen RBC's continued growth resulting from its successful focus on cultivating broad and deep client relationships, investing in people and contributing to the economic prosperity and betterment of communities where it does business.

In 2014 the Board continued to engage with the outstanding management team at RBC. Our oversight is directed at guiding their business decisions to deliver value to shareholders over the long term.

RBC has the right strategy to drive growth and create value

As strategic advisors to management, the Board must prudently balance strategic opportunities with risk discipline. Today's approach to shareholder value creation must build agility to benefit from opportunities to allow RBC to thrive in tomorrow's changing environment. To that end, the Board and management actively discuss how RBC is positioned to grow as external factors such as technology, regulation and changing client demographics shape the financial services industry.

The Board is focused on ensuring that RBC has both the right strategy to drive continued success and the competitive strengths and capabilities to deliver on its priorities. We assess the amount and type of risk RBC will accept in pursuit of its business objectives, and monitor the organization's systems and processes to manage those risks. We work closely with management on how best to enhance the bank's strong capital position and create value by investing in organic growth,

funding dividend increases, repurchasing shares or making strategic acquisitions.

RBC has the right team in place to benefit from future opportunities

Succession planning, including the selection and appointment of the senior management team, is a fundamental responsibility of the Board. We review the depth and diversity of succession pools for key leadership roles, and we monitor the progress of succession candidates. This year Dave McKay succeeded Gordon Nixon as President and CEO, and there were a number of other important appointments at the Group Executive level. The skills and experience of our senior leaders are essential to achieving sustainable growth over the long term.

The Board is confident that under Dave McKay's leadership, RBC will continue to build on its past successes. His distinguished 26-year career at RBC includes international experience in corporate banking and senior roles in retail banking and risk management. His outstanding dedication to clients, focus on innovation, commitment to employees and track record of performance will serve RBC well as it continues to grow.

As the bank grows and its leadership team transitions, we remain committed to enhancing the diversity of experience, perspectives and skill sets represented on the Board. We are pleased to welcome Dave McKay and Jacynthe Côté to the Board, and to announce that Toos Daruvala will join as a Director in January 2015. With a longstanding career at Rio Tinto Alcan, most recently as President and Chief Executive Officer, Ms. Côté brings extensive experience in international business. Mr. Daruvala, currently a Director and Senior Partner at McKinsey &

Company, brings more than 30 years of experience in advising financial institutions on matters ranging from banking and risk management practices to corporate strategy and organizational effectiveness.

As we welcome these three new Directors, we say farewell to one. Over his 13-year tenure as CEO, Gordon Nixon added tremendous value in earnings, returns and client focus. Under his guidance, RBC has taken its place among the most-respected financial institutions globally.

RBC is committed to driving growth, which is essential to its continued success

The Board of Directors recognizes that RBC succeeds when its stakeholders – shareholders, employees, clients and communities – succeed. As one of the largest financial institutions in the world, RBC sets high standards as a top employer and leading corporate citizen. United by strong corporate values, the Board of Directors, management and employees worldwide share the vision of always earning the right to be our clients' first choice.

In 2014, RBC delivered significant value to stakeholders as it continued to grow and deliver on its strategic goals. I want to thank my fellow Board members for their valuable advice. The Board would like to extend its sincere thanks to the management team at RBC and the company's dedicated employees who serve and focus on clients – each and every day.



Kathleen Taylor
Chair of the Board

 For more information on our governance policies, visit: rbc.com/governance

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is provided to enable a reader to assess our results of operations and financial condition for the fiscal year ended October 31, 2014, compared to the preceding two years. This MD&A should be read in conjunction with our 2014 Annual Consolidated Financial Statements and related notes and is dated December 2, 2014. All amounts are in Canadian dollars, unless otherwise specified, and are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise noted.

Additional information about us, including our 2014 Annual Information Form, is available free of charge on our website at rbc.com/investorrelations, on the Canadian Securities Administrators' website at sedar.com and on the EDGAR section of the United States (U.S.) Securities and Exchange Commission's (SEC) website at sec.gov.

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 See our Glossary for definitions of terms used throughout this document

Caution regarding forward-looking statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. We may make forward-looking statements in this 2014 Annual Report, in other filings with Canadian regulators or the SEC, in other reports to shareholders and in other communications. Forward-looking statements in this document include, but are not limited to, statements relating to our financial performance objectives, vision and strategic goals, the economic and market review and outlook for Canadian, U.S., European and global economies, the regulatory environment in which we operate, the outlook and priorities for each of our business segments, and the risk environment including our liquidity and funding risk. The forward-looking information contained in this document is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented and our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, regulatory compliance, operational, strategic, reputation, legal and regulatory environment, competitive and systemic risks and other risks discussed in the Risk management and Overview of other risks sections; anti-money laundering, growth in wholesale credit, the high levels of Canadian household debt; cybersecurity; the business and economic conditions in Canada, the U.S. and certain other countries in which we operate; the effects of changes in government fiscal, monetary and other policies; tax risk and transparency; our ability to attract and retain employees; the accuracy and completeness of information concerning our clients and counterparties; the development and integration of our distribution networks; model, information technology, information management, social media, environmental and third party and outsourcing risk.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Material economic assumptions underlying the forward looking statements contained in this 2014 Annual Report are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the Risk management and Overview of other risks sections.

Information contained in or otherwise accessible through the websites mentioned does not form part of this report. All references in this report to websites are inactive textual references and are for your information only.

Selected financial and other highlights

Table 1

(Millions of Canadian dollars, except per share, number of and percentage amounts)	2014	2013 (1)	2012 (1)	2014 vs. 2013 Increase (decrease)	
Continuing operations					
Total revenue	\$ 34,108	\$ 30,682	\$ 29,147	\$ 3,426	11.2%
Provision for credit losses (PCL)	1,164	1,237	1,299	(73)	(5.9)%
Insurance policyholder benefits, claims and acquisition expense (PBCAE)	3,573	2,784	3,621	789	28.3%
Non-interest expense	17,661	16,214	14,641	1,447	8.9%
Net income before income taxes	11,710	10,447	9,586	1,263	12.1%
Net income from continuing operations	9,004	8,342	7,558	662	7.9%
Net loss from discontinued operations	–	–	(51)	–	0.0%
Net income	\$ 9,004	\$ 8,342	\$ 7,507	\$ 662	7.9%
Segments – net income from continuing operations					
Personal & Commercial Banking	\$ 4,475	\$ 4,380	\$ 4,056	\$ 95	2.2%
Wealth Management	1,083	886	753	197	22.2%
Insurance	781	595	713	186	31.3%
Investor & Treasury Services	441	339	102	102	30.1%
Capital Markets	2,055	1,700	1,576	355	20.9%
Corporate Support	169	442	358	(273)	(61.8)%
Net income from continuing operations	\$ 9,004	\$ 8,342	\$ 7,558	\$ 662	7.9%
Selected information					
Earnings per share (EPS) – basic	\$ 6.03	\$ 5.53	\$ 4.96	\$ 0.50	9.0%
– diluted	6.00	5.49	4.91	0.51	9.3%
Return on common equity (ROE) (2), (3)	19.0%	19.7%	19.6%	n.m.	(70) bps
Selected information from continuing operations					
EPS – basic	\$ 6.03	\$ 5.53	\$ 4.99	\$ 0.50	9.0%
– diluted	6.00	5.49	4.94	0.51	9.3%
ROE (2), (3)	19.0%	19.7%	19.7%	n.m.	(70) bps
PCL on impaired loans as a % of average net loans and acceptances	0.27%	0.31%	0.35%	n.m.	(4) bps
Gross impaired loans (GIL) as a % of loans and acceptances	0.44%	0.52%	0.58%	n.m.	(8) bps
Capital ratios and multiples (4)					
Common Equity Tier 1 (CET1) ratio (4)	9.9%	9.6%	n.a.	n.m.	30 bps
Tier 1 capital ratio (4)	11.4%	11.7%	13.1%	n.m.	(30) bps
Total capital ratio (4)	13.4%	14.0%	15.1%	n.m.	(60) bps
Assets-to-capital multiple (4)	17.0X	16.6X	16.7X	n.m.	40 bps
Selected balance sheet and other information					
Total assets	\$ 940,550	\$ 859,745	\$ 823,954	\$ 80,805	9.4%
Securities	199,148	182,710	161,602	16,438	9.0%
Loans (net of allowance for loan losses)	435,229	408,850	378,241	26,379	6.5%
Derivative related assets	87,402	74,822	91,293	12,580	16.8%
Deposits	614,100	563,079	512,244	51,021	9.1%
Common equity	48,615	43,064	38,346	5,551	12.9%
Average common equity (2)	45,700	40,600	36,500	5,100	12.6%
Total capital risk-weighted assets	372,050	318,981	280,609	53,069	16.6%
Assets under management (AUM)	457,000	391,100	343,000	65,900	16.8%
Assets under administration (AUA) (5)	4,647,000	4,050,900	3,653,300	596,100	14.7%
Common share information					
Shares outstanding (000s) – average basic	1,442,553	1,443,735	1,442,167	(1,182)	(0.1)%
– average diluted	1,452,003	1,466,529	1,468,287	(14,526)	(1.0)%
– end of period	1,442,233	1,441,056	1,445,303	1,177	0.1%
Dividends declared per common share	\$ 2.84	\$ 2.53	\$ 2.28	\$ 0.31	12.3%
Dividend yield (6)	3.8%	4.0%	4.5%	n.m.	(20) bps
Common share price (RY on TSX)	\$ 80.01	\$ 70.02	\$ 56.94	\$ 9.99	14.3%
Market capitalization (TSX)	115,393	100,903	82,296	14,490	14.4%
Business information from continuing operations (number of)					
Employees (full-time equivalent) (FTE)	73,498	74,247	74,377	(749)	(1.0)%
Bank branches	1,366	1,372	1,361	(6)	(0.4)%
Automated teller machines (ATMs)	4,929	4,973	5,065	(44)	(0.9)%
Period average US\$ equivalent of C\$1.00 (7)	\$ 0.914	\$ 0.977	\$ 0.997	\$ (0.063)	(6.4)%
Period-end US\$ equivalent of C\$1.00	\$ 0.887	\$ 0.959	\$ 1.001	\$ (0.072)	(7.5)%

(1) Comparative amounts prior to November 1, 2013 have been restated for the adoption of new accounting standards. For further details, refer to Note 2 of our 2014 Annual Consolidated Financial Statements.

(2) Average amounts are calculated using methods intended to approximate the average of the daily balances for the period. This includes ROE and Average common equity. For further details, refer to the Key performance and non-GAAP measures section.

(3) These measures may not have a standardized meaning under generally accepted accounting principles (GAAP) and may not be comparable to similar measures disclosed by other financial institutions. For further details, refer to the Key performance and non-GAAP measures section.

(4) Effective the first quarter of 2013, we calculate capital ratios and Assets-to-capital multiple using the Basel III framework. Capital ratios presented above are on an “all-in” basis. Capital ratios and Assets-to-capital multiple in 2012 were calculated using the Basel II framework. Basel III and Basel II are not directly comparable. The CET1 ratio is a regulatory measure under the Basel III framework and is not applicable (n.a.) for 2012. For further details, refer to the Capital management section.

(5) Includes \$31.2 billion (2013 – \$32.6 billion, 2012 – \$38.4 billion) of securitized mortgages and credit card loans.

(6) Defined as dividends per common share divided by the average of the high and low share price in the relevant period.

(7) Average amounts are calculated using month-end spot rates for the period.

n.m. not meaningful

About Royal Bank of Canada

Royal Bank of Canada (RY on TSX and NYSE) is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. We are one of North America's leading diversified financial services companies, and provide personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. We employ approximately 78,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 38 other countries. For more information, please visit rbc.com.

Our business segments are described below.

Personal & Commercial Banking operates in Canada, the Caribbean and the U.S., and comprises our personal and business banking operations, as well as our auto financing and retail investment businesses.

Wealth Management serves affluent, high net worth and ultra-high net worth clients from our offices in key financial centres mainly in Canada, the U.S., the U.K., Channel Islands, continental Europe, and Asia with a comprehensive suite of investment, trust, banking, credit and other wealth management solutions. We also provide asset management products and services directly to institutional and also to individual clients through our distribution channels and third-party distributors.

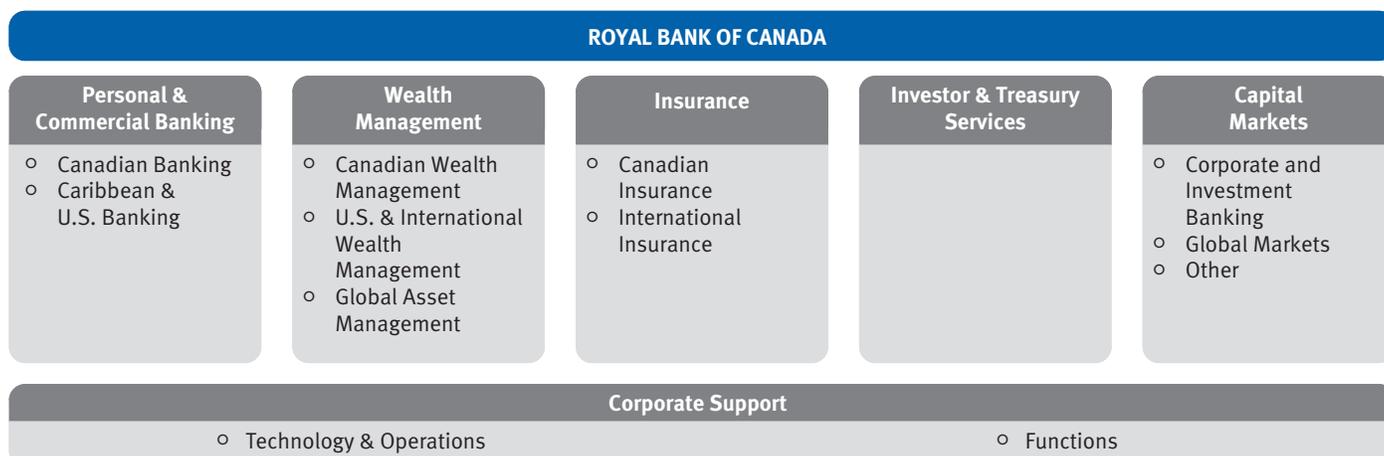
Insurance provides a wide range of life, health, home, auto, travel, wealth and reinsurance products and solutions. We offer insurance products and services through our proprietary distribution channels, comprised of the field sales force which includes retail insurance branches, our field sales representatives, call centres and online, as well as through independent insurance advisors and affinity relationships in Canada. Outside Canada, we operate in reinsurance markets globally.

Investor & Treasury Services serves the needs of institutional investing clients by providing asset servicing, custodial, advisory, financing and other services to safeguard assets, maximize liquidity and manage risk in multiple jurisdictions around the world. We also provide short-term funding and liquidity management for RBC.

Capital Markets provides public and private companies, institutional investors, governments and central banks with a wide range of products and services. In North America, we offer a full suite of products and services which include corporate and investment banking, equity and debt origination and distribution, and structuring and trading. Outside North America, we offer a diversified set of capabilities in our key sectors of expertise such as energy, mining and infrastructure and we are now expanding into industrial, consumer and health care in Europe.

Our business segments are supported by Corporate Support, which consists of Technology & Operations and Functions. Technology & Operations provides the technological and operational foundation required to effectively deliver products and services to our clients, while Functions includes our finance, human resources, risk management, internal audit and other functional groups.

The following chart presents our business segments and respective lines of business:



Vision and strategic goals

Our business strategies and actions are guided by our vision of **"Always earning the right to be our clients' first choice."** Our three strategic goals are:

- In Canada, to be the undisputed leader in financial services;
- Globally, to be a leading provider of capital markets, investor and wealth management solutions; and
- In targeted markets, to be a leading provider of select financial services complementary to our core strengths.

For our progress in 2014 against our business strategies and strategic goals, refer to the Business segment results section.

Economic and market review and outlook – data as at December 2, 2014

The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. If this information or these assumptions are not accurate, actual economic outcomes may differ materially from the outlook presented in this section. For details on risk factors from general business and economic conditions that may affect our business and financial results, refer to the Overview of other risks section.

Canada

The Canadian economy is expected to grow at an estimated rate of 2.5% during calendar 2014, slightly below our estimate of 2.6% as at December 4, 2013. Growth in the economy continues to be driven by solid consumer spending and strength in the labour market on employment gains as the unemployment rate fell to its lowest level since November 2008 at 6.5% in October 2014. Housing market activity remained firm through the year, despite the dampening impact of poor weather conditions early in 2014. Weakening commodity prices, lower expectations of interest rate increases by the Bank of Canada (BoC) and a strengthening of the U.S. dollar compared to most world currencies due to an improving U.S. economy and anticipated U.S. interest rate increases are key factors in the Canadian dollar depreciating against the U.S. dollar during 2014. Interest rates remained low as the persistence of excess capacity in the economy led the BoC to maintain its overnight rate at 1% in October 2014.

In calendar 2015, we expect the Canadian economy to grow at an estimated rate of 2.7%, driven by an improvement in net exports, increase in business investment, and steady, albeit slowing consumer spending growth. We expect growth in the housing market to ease to more sustainable levels in 2015 as market interest rates move higher and household debt accumulation slows. As the economy strengthens and inflation holds around the BoC's target level of 2% on a sustained basis, we expect the BoC to begin to raise its overnight rate from the current 1% in the middle of calendar 2015.

U.S.

We expect the U.S. economy to grow at an estimated rate of 2.3% during calendar 2014, which is below our estimate of 2.7% as at December 4, 2013. Strengthening consumption and firming business investment continue to drive the economy, with weaker net exports and the impact of poor weather early in the year limiting growth. Growth in consumer spending was driven by improvements in the labour market as the unemployment rate fell to 5.8% in October 2014 which is the lowest level since July 2008. As a result of improving labour market conditions and a general strengthening in the economy, the Federal Reserve (Fed) reduced its monthly asset purchases throughout 2014 and ended the program in October 2014, although it has maintained interest rates at historically low levels.

In calendar 2015, we expect the U.S. economy to grow at a rate of 3.3%, as both household and business spending accelerate given expected gains in household wealth and the recent momentum in the labour market. Housing market activity is expected to improve given the easing in lending standards and the decline in long-term mortgage rates. As labour markets and core inflation levels approach target levels, we expect the Fed to begin to raise its key interest rate from the current funds target range of 0.0% to 0.25% starting in the middle of calendar 2015.

Europe

The Euro area economy is expected to grow marginally at an estimated rate of 0.7% during calendar 2014, below our estimate of 1.0% as at December 4, 2013. The harmonized inflation level continues to remain below the European Central Bank's (ECB) desired range, and averaged 0.5% from January through October 2014. Labour markets remain weak and the unemployment rate has stayed elevated at 11.5% in October 2014. To support the recovery, the ECB is taking steps to provide stimulus to the Euro area economy through an asset purchase program which will run a minimum of two years, and has reduced its key interest rate twice during the calendar year, by 10 basis points (bps) each time, to the current 0.05%. The ECB is also encouraging liquidity and business investment in the Euro area by introducing negative deposit rates in order to stimulate lending by European banks.

We expect the Euro area economy to grow at a rate of 1.0% during calendar 2015, as the ECB's stimulus measures take hold, and expect the ECB to hold its key interest rate at the current level for the foreseeable future.

Financial markets

Equity markets in Canada, the U.S. and major European economies generally exhibited capital appreciation through most of fiscal 2014 supported by highly accommodative monetary policy, before concerns related to recent geopolitical uncertainty, the Ebola outbreak in Africa, and expectations for recessionary conditions in Europe led to some volatility towards the end of our fiscal year. Yields on long-term government bonds in Canada, the U.S. and major European economies have continued to decline over the year and remain near historically low levels. Credit spreads remained relatively stable through most of fiscal 2014, but widened significantly in the last two months of fiscal 2014. Commodity prices declined in the second half of calendar 2014. Oil prices, in particular, decreased sharply towards the end of our fiscal year due to a combination of increased global supply and weak demand prospects.

Regulatory environment

We continue to monitor and prepare for regulatory developments in a manner that seeks to ensure compliance with new requirements while mitigating any adverse business or economic impacts, including those with the potential to negatively impact our products or services. Such impacts could result from new or amended regulations and the expectations of those who enforce them. Significant developments include regulations enacted under the U.S. *Dodd-Frank Wall Street Reform and Consumer Protection Act*, such as restrictions on banking entities engaging in proprietary trading and having certain relationships with hedge and private equity funds (the Volcker Rule); the Fed's enhanced prudential standards for Bank Holding Companies and Foreign Banking Organizations; changes to capital and liquidity rules under the Basel Committee on Banking Supervision's global standards (Basel III); over-the-counter (OTC) derivatives reforms; and the recently announced voluntary commitments by MasterCard Canada and Visa Canada to reduce merchant credit card fees in Canada.

For a discussion on risk factors resulting from these and other regulatory developments which may affect our business and financial results, refer to the Risk management – Top and emerging risks section. For further details on our framework and activities to manage risks, refer to the Risk management and Capital management sections.

Defining and measuring success through Total Shareholder Returns

Our focus is to maximize total shareholder returns (TSR) through the achievement of top tier performance over the medium term (3-5 years) which we believe reflects a longer term view of strong and consistent financial performance.

Maximizing TSR is aligned with our three strategic goals discussed earlier and we believe represents the most appropriate measure of shareholder value creation. TSR is a concept used to compare the performance of our common shares over a period of time, reflecting share price appreciation and dividends paid to common shareholders. The absolute size of the TSR will vary depending on market conditions, and the relative position reflects the market's perception of our overall performance relative to our peers over a period of time.

Financial performance objectives are used to measure progress against our medium-term TSR objectives. We review and revise these financial performance objectives as economic, market and regulatory environments change. By focusing on our medium-term objectives in our decision-making, we believe we will be well positioned to provide sustainable earnings growth and solid returns to our common shareholders.

We achieved all our performance objectives in 2014. The following table provides a summary of our performance against our financial performance objectives in 2014:

Financial performance objectives		Table 2	
	2014 results	Achieved	
Diluted EPS growth of 7% +	9.3%	✓	
ROE of 18% +	19.0%	✓	
Strong capital ratios (CET1) ⁽¹⁾	9.9%	✓	
Dividend payout ratio 40% – 50%	47%	✓	

(1) For further details on the CET1 ratio, refer to the Capital management section.

For 2015, our financial performance objectives will remain unchanged.

We compare our TSR to that of a global peer group approved by our Board of Directors and consisting of the following 19 financial institutions:

- Canadian financial institutions: Bank of Montreal, Canadian Imperial Bank of Commerce, Manulife Financial Corporation, National Bank of Canada, Power Financial Corporation, The Bank of Nova Scotia, and the Toronto-Dominion Bank.
- U.S. banks: Bank of America Corporation, JPMorgan Chase & Co., The Bank of New York Mellon Corporation, U.S. Bancorp, and Wells Fargo & Company.
- International banks: Banco Bilbao Vizcaya Argentaria Group, Barclays PLC, BNP Paribas, Credit Suisse Group AG, Deutsche Bank Group, National Australia Bank, and Westpac Banking Corporation.

Medium-term objectives – three and five year TSR vs. peer group average			Table 3	
	Three year TSR ⁽¹⁾	Five year TSR ⁽¹⁾		
Royal Bank of Canada	23%	12%		
	2nd quartile	2nd quartile		
Peer group average (excluding RBC) ⁽²⁾	19%	8%		

(1) The three and the five year average annual TSR are calculated based on our common share price appreciation plus reinvested dividends for the period October 31, 2011 to October 31, 2014 and October 31, 2009 to October 31, 2014 respectively, based on information as disclosed by Bloomberg L.P.

As a result of changes in the financial services industry over the past several years, and considering our performance and strategy, we recently completed a re-evaluation of our peer group with the goal of ensuring that we include only those institutions in the global financial services industry that are most relevant to us as competitors. Our Canadian peer group remains unchanged and we have revised our peer group of U.S. and International banks. Our new peer group will be effective in 2015, and will include:

- Canadian financial institutions: Bank of Montreal, Canadian Imperial Bank of Commerce, Manulife Financial Corporation, National Bank of Canada, Power Financial Corporation, The Bank of Nova Scotia, and the Toronto-Dominion Bank.
- U.S. banks: JPMorgan Chase & Co., and Wells Fargo & Company.
- International banks: Westpac Banking Corporation.

Common share and dividend information		Table 4				
For the year ended October 31	2014	2013	2012	2011	2010	
Common share price (RY on TSX) – close, end of period	\$ 80.01	\$ 70.02	\$ 56.94	\$ 48.62	\$ 54.39	
Dividends paid per share	2.76	2.46	2.22	2.04	2.00	
Increase (decrease) in share price	14.3%	23.0%	17.1%	(10.6)%	(0.7)%	
Total shareholder return	19.0%	28.0%	22.0%	(6.7)%	2.9%	

Key corporate events of 2014

Jamaican banking operations

On June 27, 2014, we completed the sale of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively, RBC Jamaica) to Sagicor Group Jamaica Limited, as announced on January 29, 2014. As a result of the transaction, we recorded a total loss on disposal of \$100 million (before- and after-tax), including a loss of \$60 million in the first quarter of 2014 and a further loss of \$40 million in the third quarter of 2014, which includes foreign currency translation related to the closing of the sale. For further details, refer to Note 11 of our 2014 Annual Consolidated Financial Statements.

Financial performance

On November 1, 2013, we adopted amendments to IAS 19 *Employee benefits*, as well as adopted IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*. The financial information presented in this document reflects the effects of these standards on our comparative financial information presented for the year ended or as at October 31, 2013 and October 31, 2012. For further details, refer to Note 2 of our 2014 Annual Consolidated Financial Statements.

Overview

2014 vs. 2013

Net income of \$9,004 million was up \$662 million or 8% from a year ago. Diluted earnings per share (EPS) of \$6.00 was up \$0.51 and return on common equity (ROE) of 19.0% was down 70 bps from 19.7% last year. Our Common Equity Tier 1 (CET1) ratio was 9.9%.

Our results reflected solid volume growth across most of our Canadian Banking businesses, higher earnings from growth in average fee-based client assets in Wealth Management, and higher earnings in Capital Markets primarily reflecting strong equity markets, our continued focus on origination and lending, and increased activity from client-focused strategies. The impact of foreign exchange translation also contributed to the increase. These factors were partially offset by higher costs in support of business growth, a loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, and higher litigation provisions and related legal costs in Capital Markets. In addition, our results

last year included a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, as well as net favourable income tax adjustments of \$214 million in Corporate Support.

For further details on our results and CET1 ratio, refer to the Business segment results and Capital management sections, respectively.

2013 vs. 2012

In 2013, net income of \$8,342 million was up \$835 million or 11% from 2012. Diluted EPS of \$5.49 was up \$0.58 and ROE of 19.7% was up 10 bps.

Our results reflected strong earnings growth across most of our business segments. Favourable income tax adjustments in 2013 of \$214 million related to prior years, lower provision for credit losses (PCL) reflecting improved credit quality, and continuing benefits from our efficiency management activities also contributed to the increase. These factors were partially offset by lower trading revenue in Capital Markets and a charge of \$160 million (\$118 million after-tax) in Insurance as a result of new tax legislation in Canada. In addition, our 2012 results were impacted by net favourable adjustments of \$60 million after-tax including a release of \$128 million of tax uncertainty provisions and interest income of \$72 million (\$53 million after-tax) related to a refund of taxes paid due to the settlement of several tax matters with the Canada Revenue Agency (CRA), an adjustment related to a change in estimate of mortgage prepayment interest of \$125 million (\$92 million after-tax), and a loss of \$224 million (\$213 million after-tax) related to the acquisition of the remaining 50% stake of RBC Dexia Investor Services Limited (RBC Dexia).

Estimated impact of foreign currency translation on our consolidated financial results

Our foreign currency-denominated results are impacted by exchange rate fluctuations. Revenue, PCL, insurance policyholder benefits, claims and acquisition expense (PBCAE), non-interest expense and net income denominated in foreign currency are translated at the average rate of exchange for the year.

The following table reflects the estimated impact of foreign exchange translation on key income statement items:

(Millions of Canadian dollars, except per share amounts)	2014 vs. 2013	2013 vs. 2012
<i>Increase (decrease):</i>		
Total revenue	\$ 818	\$ 213
PCL	9	3
PBCAE	75	8
Non-interest expense	510	110
Net income	121	53
<i>Impact on EPS from continuing operations:</i>		
Basic	\$.08	\$.04
Diluted	.08	.04

The relevant average exchange rates that impact our business are shown in the following table:

(Average foreign currency equivalent of C\$1.00) (1)	2014	2013	2012
U.S. dollar	0.914	0.977	0.997
British pound	0.551	0.626	0.630
Euro	0.680	0.740	0.771

(1) Average amounts are calculated using month-end spot rates for the period.

Total revenue

(Millions of Canadian dollars)	2014	2013	2012
Interest income	\$ 22,019	\$ 21,148	\$ 20,769
Interest expense	7,903	7,899	8,330
Net interest income	\$ 14,116	\$ 13,249	\$ 12,439
Net interest margin (on average earning assets) (1)	1.86%	1.88%	1.97%
Investments (2)	\$ 7,355	\$ 6,408	\$ 5,084
Insurance (3)	4,957	3,911	4,897
Trading	742	867	1,305
Banking (4)	4,090	3,909	3,399
Underwriting and other advisory	1,809	1,569	1,434
Other (5)	1,039	769	589
Non-interest income	\$ 19,992	\$ 17,433	\$ 16,708
Total revenue	\$ 34,108	\$ 30,682	\$ 29,147

(1) Net interest margin (on average earning assets) is calculated as net interest income divided by average earning assets.

(2) Includes securities brokerage commissions, investment management and custodial fees, and mutual fund revenue.

(3) Includes premiums and investment and fee income. Investment income includes the change in fair value of investments backing policyholder liabilities and is largely offset in PBCAE.

(4) Includes service charges, foreign exchange revenue other than trading, card service revenue and credit fees.

(5) Includes other non-interest income, net gain (loss) on available-for-sale (AFS) securities and share of profit in associates.

2014 vs. 2013

Total revenue increased \$3,426 million or 11% from last year. The impact of foreign exchange translation this year increased our total revenue by \$818 million.

Net interest income increased \$867 million or 7%, mainly due to solid volume growth of 5% across most of our businesses in Canadian Banking and higher trading-related net interest income in Capital Markets. Higher lending activity in Capital Markets also contributed to the increase. For further details on the change in net interest income, refer to the Supplementary information section.

Net interest margin was down 2 bps compared to last year largely due to the continuing low interest rate environment and competitive pressures. For further details on net interest margin, refer to the Supplementary information section.

Investments revenue increased \$947 million or 15%, mainly due to higher revenue from growth in average fee-based client assets in Wealth Management resulting from capital appreciation and strong net sales. Higher mutual fund distribution fees also contributed to the increase.

Insurance revenue increased \$1,046 million or 27%, mainly due to the change in fair value of investments backing our policyholder liabilities resulting from a decrease in long-term interest rates, largely offset in PBCAE. Business growth in our European life and U.K. annuity products also contributed to the increase.

Banking revenue increased \$181 million or 5%, mainly due to the impact of foreign exchange translation, higher credit card balances and transaction volumes, and higher service fee revenue. These factors were partially offset by lower loan syndication activity compared to the strong levels last year.

Underwriting and other advisory revenue increased \$240 million or 15%, mainly due to strong growth in equity origination reflecting increased issuance activity, and higher mergers and acquisitions (M&A) activity reflecting increased mandates.

Other revenue increased \$270 million or 35%, mainly due to favourable cumulative accounting adjustments in Personal & Commercial Banking, and gains on credit default swaps used to economically hedge our corporate loan portfolio in Capital Markets compared to losses last year.

2013 vs. 2012

Total revenue increased \$1,535 million or 5% as compared to 2012, mainly due to solid volume growth across all businesses in Canadian Banking, higher revenue from growth in average fee-based client assets across all businesses in Wealth Management, and incremental revenue related to our additional 50% ownership of Investor Services. The inclusion of our acquisition of Ally Canada, strong growth in our lending portfolio in Capital Markets, and in our loan syndication business primarily in the U.S., and higher debt origination reflecting solid issuance activity also contributed to the increase. These factors were partially offset by a change in fair value of investments backing our policyholder liabilities resulting from an increase in long-term interest rates, largely offset in PBCAE, lower fixed income trading revenue, and spread compression. In addition, 2012 was favourably impacted by a mortgage prepayment interest adjustment of \$125 million resulting from a change in methodology with respect to the timing of recognition of mortgage prepayment interest.

Additional trading information

Table 8			
(Millions of Canadian dollars)	2014	2013	2012
Total trading revenue			
Net interest income	\$ 2,029	\$ 1,661	\$ 1,532
Non-interest income	742	867	1,305
Total trading revenue	\$ 2,771	\$ 2,528	\$ 2,837
Total trading revenue by product			
Interest rate and credit	\$ 1,560	\$ 1,611	\$ 1,932
Equities	814	594	516
Foreign exchange and commodities	397	323	389
Total trading revenue	\$ 2,771	\$ 2,528	\$ 2,837
Trading revenue (teb) by product			
Interest rate and credit	\$ 1,560	\$ 1,611	\$ 1,932
Equities	1,305	972	945
Foreign exchange and commodities	397	323	389
Total trading revenue (teb)	\$ 3,262	\$ 2,906	\$ 3,266
Trading revenue (teb) by product – Capital Markets			
Interest rate and credit	\$ 1,293	\$ 1,350	\$ 1,584
Equities	1,244	942	925
Foreign exchange and commodities	333	286	323
Total Capital Markets trading revenue (teb)	\$ 2,870	\$ 2,578	\$ 2,832

2014 vs. 2013

Total trading revenue of \$2,771 million, which comprises trading-related revenue recorded in Net interest income and Non-interest income, was up \$243 million, or 10%, mainly due to higher equity trading revenue reflecting strong market conditions and higher commodities trading revenue. These factors were partially offset by lower fixed income trading revenue largely driven by the unfavourable impact of the implementation of valuation adjustments related to funding costs on uncollateralized OTC derivatives (FVA), and the exiting of certain proprietary trading strategies to comply with the Volcker Rule.

2013 vs. 2012

Total trading revenue of \$2,528 million, which comprises trading-related revenue recorded in Net interest income and Non-interest income, was down \$309 million, or 11%, mainly due to lower fixed income trading revenue, largely in Europe, as a result of challenging market conditions.

Provision for credit losses

2014 vs. 2013

Total PCL decreased \$73 million or 6% from a year ago, mainly due to lower provisions in Capital Markets and Wealth Management, partially offset by higher provisions in Personal & Commercial Banking, primarily in Caribbean Banking.

2013 vs. 2012

Total PCL decreased \$62 million or 5% as compared to 2012, mainly reflecting improved credit quality in our Personal & Commercial banking, partially offset by higher provisions in Capital Markets and Wealth Management.

For further details on PCL, refer to the Credit quality performance section.

Insurance policyholder benefits, claims and acquisition expense

2014 vs. 2013

PBCAE increased \$789 million or 28% from a year ago, mainly due to the change in fair value of investments backing our policyholder liabilities, which was largely offset in revenue, and the impact of foreign exchange translation. These factors were partially offset by lower net claims costs. In addition, our PBCAE last year included the unfavourable impact of the charge of \$160 million related to new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, and a favourable impact from interest and asset related activities on the Canadian life business.

2013 vs. 2012

PBCAE decreased \$837 million or 23% as compared to 2012, mainly due to the change in fair value of investments backing our policyholder liabilities, which was largely offset in insurance revenue. Favourable actuarial adjustments reflecting management actions and assumption changes also contributed to the decrease. These factors were partially offset by the charge related to new tax legislation in Canada.

Non-interest expense

(Millions of Canadian dollars)	2014	2013	2012
Salaries	\$ 4,834	\$ 4,604	\$ 4,089
Variable compensation	4,388	3,924	3,638
Benefits and retention compensation	1,561	1,464	1,216
Share-based compensation	248	256	139
Human resources	\$ 11,031	\$ 10,248	\$ 9,082
Equipment	1,147	1,081	913
Occupancy	1,330	1,235	1,130
Communications	779	728	748
Professional fees	763	753	666
Outsourced item processing	246	250	254
Amortization of other intangibles	666	566	494
Impairment of other intangibles	8	10	–
Impairment of investments in joint ventures and associates	–	20	168
Other	1,691	1,323	1,186
Non-interest expense	\$ 17,661	\$ 16,214	\$ 14,641
Efficiency ratio ⁽¹⁾	51.8%	52.8%	50.2%

(1) Efficiency ratio is calculated as non-interest expense divided by total revenue.

2014 vs. 2013

Non-interest expense increased \$1,447 million or 9%, primarily due to the impact of foreign exchange translation of \$510 million, higher costs in support of business growth, and higher variable compensation driven by higher revenue in Wealth Management and higher results in Capital Markets. Increased litigation provisions and related legal costs in Capital Markets, and the loss of \$100 million related to the sale of RBC Jamaica also contributed to the increase. These factors were partly offset by continuing benefits from our efficiency management activities.

Efficiency ratio of 51.8% decreased 100 bps from 52.8% last year, mainly due to continuing benefits from our efficiency management activities.

2013 vs. 2012

Non-interest expense increased \$1,573 million or 11% as compared to 2012, primarily reflecting incremental costs related to our additional 50% ownership of Investor Services and higher variable compensation mainly driven by higher revenue in Wealth Management. The inclusion of our acquisition of Ally Canada, higher costs in support of business growth, and higher litigation provisions and related legal costs in Capital Markets also contributed to the increase. These factors were partially offset by continued benefits from our ongoing focus on efficiency management activities, and lower variable compensation in Capital Markets reflecting a lower compensation to revenue ratio. In addition, non-interest expense was unfavourably impacted in 2012 by an impairment loss and other costs of \$188 million related to the acquisition of the remaining 50% stake of RBC Dexia.

Income and other taxes

Table 10

(Millions of Canadian dollars, except percentage amounts)	2014	2013	2012
Income taxes	\$ 2,706	\$ 2,105	\$ 2,028
Other taxes			
Goods and services sales taxes	\$ 395	\$ 370	\$ 343
Payroll taxes	529	497	430
Capital taxes	86	85	79
Property taxes	106	119	120
Insurance premium taxes	51	50	50
Business taxes	8	25	16
	\$ 1,175	\$ 1,146	\$ 1,038
Total income and other taxes	\$ 3,881	\$ 3,251	\$ 3,066
Net income before income taxes	\$ 11,710	\$ 10,447	\$ 9,586
Canadian statutory income tax rate (1)	26.3%	26.2%	26.4%
Lower average tax rate applicable to subsidiaries	(2.3)	(1.8)	(3.1)
Goodwill impairment	0.0	0.0	0.4
Tax-exempt income from securities	(3.3)	(2.8)	(3.4)
Tax rate change	0.0	0.0	0.0
Effect of previously unrecognized tax loss, tax credit or temporary differences	(0.1)	(0.5)	(0.1)
Other	2.5	(1.0)	1.0
Effective income tax rate	23.1%	20.1%	21.2%
Effective total tax rate (2)	30.1%	28.0%	28.9%

(1) Blended Federal and Provincial statutory income tax rate.

(2) Total income and other taxes as a percentage of net income before income taxes and other taxes.

2014 vs. 2013

Income tax expense increased \$601 million or 29% from last year, mainly due to higher earnings before income tax. The effective income tax rate of 23.1% increased 300 bps as last year included net favourable tax adjustments, including \$214 million of income tax adjustments related to prior years.

Other taxes increased \$29 million or 3%, mainly due to higher payroll taxes and sales taxes which were partially offset by lower business taxes and property taxes. In addition to the income and other taxes reported in our Consolidated Statements of Income, we recorded income tax recoveries of \$643 million (2013 – \$231 million) in shareholders' equity, primarily reflecting foreign currency translation losses from hedging activities.

2013 vs. 2012

Income tax expense increased \$77 million or 4% from 2012, mainly due to higher earnings before income taxes. The effective income tax rate of 20.1% decreased 110 bps from 21.2% in 2012, mainly due to favourable income tax adjustments in 2013 related to prior years.

Other taxes increased \$108 million or 10% from 2012, mainly due to higher payroll taxes and sales taxes.

Business segment results

Results by business segment

Table 11

(Millions of Canadian dollars, except percentage amounts)	2014							2013	2012
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Total	Total
Net interest income	\$ 9,743	\$ 469	\$ –	\$ 732	\$ 3,485	\$ (313)	\$ 14,116	\$ 13,249	\$ 12,439
Non-interest income	3,987	5,844	4,964	1,152	3,881	164	19,992	17,433	16,708
Total revenue	\$ 13,730	\$ 6,313	\$ 4,964	\$ 1,884	\$ 7,366	\$ (149)	\$ 34,108	\$ 30,682	\$ 29,147
PCL	1,103	19	–	–	44	(2)	1,164	1,237	1,299
PBCAE	–	–	3,573	–	–	–	3,573	2,784	3,621
Non-interest expense	6,563	4,800	579	1,286	4,344	89	17,661	16,214	14,641
Net income before income taxes	\$ 6,064	\$ 1,494	\$ 812	\$ 598	\$ 2,978	\$ (236)	\$ 11,710	\$ 10,447	\$ 9,586
Income tax	1,589	411	31	157	923	(405)	2,706	2,105	2,028
Net income from continuing operations	\$ 4,475	\$ 1,083	\$ 781	\$ 441	\$ 2,055	\$ 169	\$ 9,004	\$ 8,342	\$ 7,558
Loss from discontinued operations	–	–	–	–	–	–	–	–	(51)
Net income	\$ 4,475	\$ 1,083	\$ 781	\$ 441	\$ 2,055	\$ 169	\$ 9,004	\$ 8,342	\$ 7,507
ROE (2) from continuing operations	29.0%	19.2%	49.7%	19.8%	14.1%	n.m.	19.0%	19.7%	19.7%
ROE (2)							19.0%	19.7%	19.6%
Average assets	\$ 368,800	\$ 25,800	\$ 12,000	\$ 94,200	\$ 392,300	\$ 13,400	\$ 906,500	\$ 852,000	\$ 803,000

(1) Net interest income, total revenue and net income before income taxes are presented in Capital Markets on a taxable equivalent basis (teb). The teb adjustment is eliminated in the Corporate Support segment. For a further discussion, refer to the How we measure and report our business segments section.

(2) This measure may not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions. For further details, refer to the Key performance and non-GAAP measures section.

n.m. not meaningful

Our management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way that the business segment is managed. This approach is intended to ensure that our business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results. The following highlights the key aspects of how our business segments are managed and reported:

- Personal & Commercial Banking reported results include securitized Canadian residential mortgage and credit card loans and related amounts for income and provisions for credit losses on impaired loans.
- Wealth Management reported results also include disclosure in U.S. dollars as we review and manage the results of certain businesses largely in this currency.
- Capital Markets results are reported on a taxable equivalent basis (teb), which grosses up net interest income from certain tax-advantaged sources (Canadian taxable corporate dividends) to their effective taxable equivalent value with a corresponding offset recorded in the provision for income taxes. We record the elimination of the teb adjustments in Corporate Support. We believe these adjustments are useful and reflect how Capital Markets manages its business, since it enhances the comparability of revenue and related ratios across taxable revenue and our principal tax-advantaged source of revenue. The use of teb adjustments and measures may not be comparable to similar GAAP measures or similarly adjusted amounts disclosed by other financial institutions.
- Corporate Support results include all enterprise-level activities that are undertaken for the benefit of the organization that are not allocated to our five business segments, including residual asset/liability management results, impact from income tax adjustments, net charges associated with unattributed capital and PCL on loans not yet identified as impaired.

Key methodologies

The following outlines the key methodologies and assumptions used in our management reporting framework. These are periodically reviewed by management to ensure they remain valid.

Expense allocation

To ensure that our business segments' results include expenses associated with the conduct of their business, we allocate costs incurred or services provided by Technology & Operations and Functions, which are directly undertaken or provided on the business segments' behalf. For other costs not directly attributable to our business segments, including overhead costs and other indirect expenses, we use our management reporting framework for allocating these costs to each business segment in a manner that is intended to reflect the underlying benefits.

Capital attribution

Our framework also determines the attribution of capital to our business segments in a manner that is intended to consistently measure and align economic costs with the underlying benefits and risks associated with the activities of each business segment. The amount of capital assigned to each business segment is referred to as attributed capital. Unattributed capital and associated net charges are reported in Corporate Support. For further information, refer to the Capital management section.

Funds transfer pricing

A funds transfer pricing methodology is used to allocate interest income and expense by product to each business segment. This allocation considers the interest rate risk, liquidity and funding risk and regulatory requirements of each of our business segments. We base transfer pricing on external market costs and each business segment fully absorbs the costs of running its business. Our business segments may retain certain interest rate exposures subject to management approval that would be expected in the normal course of operations.

Provisions for credit losses (PCL)

PCL are recorded to recognize estimated losses on impaired loans, as well as losses that have been incurred but are not yet identified in our loans portfolio. This portfolio includes on-balance sheet exposures, such as loans and acceptances, and off-balance sheet items such as letters of credit, guarantees and unfunded commitments. PCL on impaired loans are included in the results of each business segment to fully reflect the appropriate expenses related to the conduct of each business segment. PCL on loans not yet identified as impaired are included in Corporate Support, as Group Risk Management effectively controls this through its monitoring and oversight of various lending portfolios throughout the enterprise. For details on our accounting policy on Allowance for credit losses, refer to Note 2 of our 2014 Annual Consolidated Financial Statements.

Key performance and non-GAAP measures

Performance measures

The following discussion describes the key performance measures we use in evaluating our operating results.

Return on common equity (ROE)

We measure and evaluate the performance of our consolidated operations and each business segment using a number of financial metrics such as net income and ROE. We use ROE, at both the consolidated and business segment levels, as a measure of return on total capital invested in our business. Management views the business segment ROE measure as a useful measure for supporting investment and resource allocation decisions because it adjusts for certain items that may affect comparability between business segments and certain competitors.

Our consolidated ROE calculation is based on net income available to common shareholders divided by total average common equity for the period. Business segment ROE calculations are based on net income available to common shareholders divided by average attributed capital for the period. For each segment, average attributed capital includes the capital required to underpin various risks as described in the Capital Management section and amounts invested in goodwill and intangibles.

The attribution of capital and risk capital involves the use of assumptions, judgments and methodologies that are regularly reviewed and revised by management as necessary. Changes to such assumptions, judgments and methodologies can have a material effect on the segment ROE information that we report. Other companies that disclose information on similar attributions and related return measures may use different assumptions, judgments and methodologies.

The following table provides a summary of our ROE calculations:

Calculation of ROE								Table 12	
(Millions of Canadian dollars, except percentage amounts)	2014							2013	2012
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets	Corporate Support	Total	Total	Total
Net income available to common shareholders from continuing operations	\$ 4,405	\$ 1,057	\$ 773	\$ 429	\$ 1,990	\$ 43	\$ 8,697	\$ 7,991	\$ 7,203
Loss to common shareholders from discontinued operations							-	-	(51)
Net income available to common shareholders	\$ 4,405	\$ 1,057	\$ 773	\$ 429	\$ 1,990	\$ 43	\$ 8,697	\$ 7,991	\$ 7,152
Average common equity from continuing operations (1), (2)	\$ 15,200	\$ 5,500	\$ 1,550	\$ 2,150	\$ 14,100	\$ 7,200	\$ 45,700	\$ 40,600	\$ 36,100
Average common equity from discontinued operations (1)							-	-	400
Total average common equity (1), (2)	\$ 15,200	\$ 5,500	\$ 1,550	\$ 2,150	\$ 14,100	\$ 7,200	\$ 45,700	\$ 40,600	\$ 36,500
ROE (3)	29.0%	19.2%	49.7%	19.8%	14.1%	n.m.	19.0%	19.7%	19.6%

(1) Average common equity represent rounded figures.

(2) The amounts for the segments are referred to as attributed capital.

(3) ROE is based on actual balances of average common equity before rounding.

n.m. not meaningful

Embedded value for Insurance operations

Embedded value is a measure of shareholder value embedded in the balance sheet of our Insurance segment, excluding any value from future new sales. We use the change in embedded value between reporting periods as a measure of the value created by the insurance operations during the period.

We define embedded value as the value of equity held in our Insurance segment and the value of in-force business (existing policies). The value of in-force business is calculated as the present value of future expected earnings on in-force business less the present value of capital required to support in-force business. We use discount rates that are consistent with those used by other insurance companies. Required capital uses the capital frameworks in the jurisdictions in which we operate.

Key drivers affecting the change in embedded value from period to period are new sales, investment performance, claims and policyholder experience, change in actuarial assumptions, changes in foreign exchange rates and changes in shareholder equity arising from transfers in capital.

Embedded value does not have a standardized meaning under GAAP and may not be directly comparable to similar measures disclosed by other companies. Given that this measure is specifically used for our Insurance segment and involves the use of discount rates to present value the future expected earnings and capital required for the in-force business, reconciliation to financial statements information is not applicable.

Non-GAAP measures

We believe that certain non-GAAP measures described below are more reflective of our ongoing operating results, and provide readers with a better understanding of management's perspective on our performance. These measures enhance the comparability of our financial performance for the year ended October 31, 2014 with results from last year as well as, in the case of economic profit, measure relative contribution to shareholder value. Non-GAAP measures do not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions.

The following discussion describes the non-GAAP measures we use in evaluating our operating results.

Economic profit

Economic profit is net income excluding the after-tax effect of amortization of other intangibles less a capital charge for use of attributed capital. It measures the return generated by our businesses in excess of our cost of capital, thus enabling users to identify relative contributions to shareholder value.

The capital charge includes a charge for common equity and preferred shares. In 2014, we revised our cost of equity to 9.0% from 8.5% in 2013, largely as a result of higher long-term interest rates.

The following table provides a summary of our Economic profit on a continuing basis:

Economic profit from continuing operations

Table 13

	2014							Total
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets	Corporate Support		
(Millions of Canadian dollars)								
Net income from continuing operations	\$ 4,475	\$ 1,083	\$ 781	\$ 441	\$ 2,055	\$ 169	\$ 9,004	
add: Non-controlling interests	1	(1)	–	(1)	–	(93)	(94)	
After-tax effect of amortization of other intangibles	27	73	–	21	1	1	123	
Intangibles writedown	–	6	–	–	2	–	8	
Adjusted net income	\$ 4,503	\$ 1,161	\$ 781	\$ 461	\$ 2,058	\$ 77	\$ 9,041	
less: Capital charge	1,439	521	147	205	1,333	696	4,341	
Economic profit (loss) from continuing operations	\$ 3,064	\$ 640	\$ 634	\$ 256	\$ 725	\$ (619)	\$ 4,700	
								2012
(Millions of Canadian dollars)								
Net income from continuing operations	\$ 4,380	\$ 886	\$ 595	\$ 339	\$ 1,700	\$ 442	\$ 8,342	\$ 7,558
add: Non-controlling interests	(4)	–	–	(1)	–	(93)	(98)	(97)
After-tax effect of amortization of other intangibles	26	67	–	21	1	2	117	112
Goodwill and intangibles writedown	–	–	–	–	–	–	–	168
Adjusted net income	\$ 4,402	\$ 953	\$ 595	\$ 359	\$ 1,701	\$ 351	\$ 8,361	\$ 7,741
less: Capital charge	1,285	492	129	180	1,053	563	3,702	3,681
Economic profit (loss) from continuing operations	\$ 3,117	\$ 461	\$ 466	\$ 179	\$ 648	\$ (212)	\$ 4,659	\$ 4,060

Results excluding specified items

Our results were impacted by the following specified items:

- For the year ended October 31, 2014, in our Personal & Commercial Banking segment:
 - A total loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, comprised of a loss of \$60 million (before- and after-tax) in the first quarter of 2014, and a further loss of \$40 million (before- and after-tax) in the third quarter of 2014 which includes foreign currency translation related to the closing of the sale of RBC Jamaica; and
 - A provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean.
- For the year ended October 31, 2013:
 - A charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies in our Insurance segment; and
 - A restructuring charge of \$44 million (\$31 million after-tax) related to the integration of Investor Services, primarily in Europe, in our Investor & Treasury Services segment.
- For the year ended October 31, 2012:
 - A loss of \$224 million (\$213 million after-tax) related to our acquisition of the remaining 50% stake in RBC Dexia in our Investor & Treasury Services segment.

The following tables provide calculations of our segment results and measures excluding these specified items:

Personal & Commercial Banking

Table 14

	2014				
	As reported	Items excluded			Adjusted
		Total loss on sale of RBC Jamaica ⁽¹⁾	Provision for post-employment benefits and restructuring charges		
(Millions of Canadian dollars, except percentage amounts)					
Total revenue	\$ 13,730	\$ –	\$ –	\$ –	\$ 13,730
PCL	1,103	–	–	–	1,103
Non-interest expense	6,563	(100)	(40)		6,423
Net income before taxes	6,064	100	40		6,204
Net income	\$ 4,475	\$ 100	\$ 32		\$ 4,607
Selected balances and other information					
Non-interest expense	\$ 6,563	\$ (100)	\$ (40)		\$ 6,423
Total revenue	13,730				13,730
Efficiency ratio	47.8%				46.8%
Revenue growth rate	5.5%				5.5%
Non-interest expense growth rate	6.4%				4.2%
Operating leverage	(0.9%)				1.3%

(1) Total loss is comprised of a loss of \$60 million (before- and after-tax) recorded in Q1 2014, and a further loss of \$40 million (before- and after-tax) which includes foreign currency translation recorded in Q3 2014.

Insurance

Table 15

	2013			
	As reported	Charge related to certain individual life insurance policies		Adjusted
(Millions of Canadian dollars, except percentage amounts)				
Total revenue	\$ 3,928	\$ –	\$ –	\$ 3,928
PBCAE	2,784	(160)		2,624
Non-interest expense	551	–		551
Net income before income taxes	593	160		753
Net income	\$ 595	\$ 118		\$ 713
Selected balance and other information				
Net income available to common shareholders	\$ 586	\$ 118		\$ 704
Average common equity	1,400			1,400
ROE ⁽¹⁾	41.4%			49.8%

(1) Based on actual balances before rounding.

Investor & Treasury Services

Table 16

	2013			2012		
	As reported	Restructuring charge ⁽¹⁾	Adjusted	As reported	Loss related to the acquisition of the remaining 50% stake of RBC Dexia ⁽²⁾	Adjusted
(Millions of Canadian dollars, except percentage amounts)						
Total revenue	\$ 1,804	\$ –	\$ 1,804	\$ 905	\$ 36	\$ 941
Non-interest expense	1,348	(44)	1,304	701	(188)	513
Net income before income taxes	456	44	500	204	224	428
Net income	\$ 339	\$ 31	\$ 370	\$ 102	\$ 213	\$ 315
Selected balances and other information						
Net income available to common shareholders	\$ 326	\$ 31	\$ 357	\$ 90	\$ 213	\$ 303
Average common equity	2,000		2,000	1,700		1,700
ROE ⁽³⁾	16.5%		18.1%	5.3%		17.9%

(1) Related to the integration of Investor Services.

(2) Consisted of an impairment loss of \$168 million (before- and after-tax), comprised of a write-down of investments in joint ventures, other costs relating to the acquisition of \$20 million (\$19 million after-tax), and a loss of \$36 million (\$26 million after-tax), which was our proportionate share of the loss recorded by RBC Dexia from the securities exchange with Dexia Group and trading losses on the sale of a majority of the securities received in the exchange.

(3) Based on actual balances before rounding.

Personal & Commercial Banking is comprised of our personal and business banking operations, and our auto financing and retail investment businesses, including our online discount brokerage channel, and operates through two businesses: Canadian Banking, and Caribbean & U.S. Banking. We provide services to more than 13 million individual, business and institutional clients across Canada, the Caribbean and the U.S. In Canada, we provide a broad suite of financial products and services through our extensive branch, automated teller machine (ATM), online, mobile and telephone banking networks, as well as through a large number of proprietary sales professionals. In the Caribbean, we offer a broad range of financial products and services to individuals and business clients, and public institutions in various markets. In the U.S., we serve the cross-border banking needs of Canadian clients within the U.S. through online channels, as well as the banking product needs of our U.S. wealth management clients.

Our banking-related operations compete in the Canadian financial services industry, which consists of other Schedule I banks, independent trust companies, foreign banks, credit unions, caisses populaires, and auto financing companies. We maintain top (#1 or #2) rankings in market share in this competitive environment for all retail and business financial product categories, and have the largest branch network, the most ATMs and the largest mobile sales network across Canada. In the Caribbean, our competition includes banks, trust companies and investment management companies serving retail and corporate customers and public institutions. We continue to be the second largest bank as measured by assets in the English Caribbean, with 93 branches in 18 countries and territories. In the U.S., we compete primarily with other Canadian banking institutions with operations in the U.S.

Economic and market review

We continued to see solid volume growth across most of our Canadian banking businesses, reflecting solid economic performance in Canada and the continuing low interest rate environment which has driven solid, although slowing, credit industry growth compared to last year. Stable credit loss rates in our business and consumer products reflect improving unemployment rates in Canada. Our businesses continued to be impacted by competitive pressures and certain regulatory measures aimed at slowing the pace of borrowing. In the Caribbean, unfavourable economic conditions continued to negatively impact our results through higher PCL, lower loan volumes, and spread compression.

Highlights

- We were the first financial institution in Canada to deliver a mobile app for businesses on all major platforms including Android, BlackBerry, iOS, and Windows Phone 8.
- We partnered with BestBuy and Future Shop to offer online rewards points redemption access to over 90,000 items.
- Our mutual funds distribution through our branch network exceeded \$110 billion in assets under administration, an increase of 17%.
- In the Caribbean, we continued to focus on quality asset and revenue growth while reducing our structural costs despite continued challenging market conditions.
- We completed the sale of RBC Jamaica to Sagicor Group Jamaica Limited in June 2014.
- As a result of our successes in most of our businesses, we received external recognition as an industry leader and were named:
 - “Best Global Retail Bank” by *Retail Banker International*.
 - “Best Trade Finance Bank 2014 in Canada” by *Global Finance Magazine* for the second consecutive year.
 - “Best Private Banking Services in Canada, the Caribbean, Cayman Islands and Jersey 2014” by *Euromoney Magazine*.

Outlook and priorities

Financial conditions in Canada are expected to remain favourable, driven by continued improvement in the Canadian economy, supportive credit conditions, and continuing low interest rates. We expect continued solid volume growth across most of our products, but anticipate increased pricing pressures and industry competition resulting from the slowing credit industry. We are adapting to these market trends by focusing on higher growth segments.

On November 4, 2014, MasterCard Canada and Visa Canada announced voluntary commitments to reduce merchant credit card fees to an average effective rate of 1.5% for the next five years, effective April 30, 2015. As a result of these commitments, the Minister of Finance signaled the government’s intention to not regulate credit card interchange rates at this time. While we continue to assess the potential impact of this announcement on our operations, we do not expect it to have a significant impact on our Canadian Banking results.

In the Caribbean, challenging market conditions and slow economic growth continue to constrain our outlook. We expect net interest margins to remain challenged by spread compression. However, we expect to drive more efficiency through expense reduction as we continue to leverage our common operating model across our Caribbean platforms.

For further details on the legal and regulatory environment, refer to the Risk management – Legal and regulatory environment risk section. For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2015

In Canada, our priorities are to continue to:

- Leverage our sales capabilities, strategic partnerships and innovative distribution channels to help broaden our client base.
- Provide a superior client experience through relevant and tailored advice in order to achieve industry-leading volume growth.
- Extend and strengthen our capabilities to differentiate us in the emerging payments markets.
- Enhance our channel capabilities particularly in the digital and mobile platforms.
- Automate and digitize our business processes to improve the customer experience and maintain our industry-leading efficiency.

In the Caribbean and the U.S., we are focused on:

- Strengthening our operations by focusing on quality asset growth in key markets, optimizing our cost structure, improving our credit and operational risk practices and enhancing our leadership and talent capabilities.
- Strengthening the cross-border business in the U.S. and continuing to assess the market and our strategic business development options.

(Millions of Canadian dollars, except number of and percentage amounts and as otherwise noted)	2014	2013	2012
Net interest income	\$ 9,743	\$ 9,434	\$ 9,059
Non-interest income	3,987	3,585	3,379
Total revenue	13,730	13,019	12,438
PCL	1,103	995	1,165
Non-interest expense	6,563	6,168	5,822
Net income before income taxes	6,064	5,856	5,451
Net income	\$ 4,475	\$ 4,380	\$ 4,056
Revenue by business			
Canadian Banking	\$ 12,869	\$ 12,220	\$ 11,614
Caribbean & U.S. Banking	861	799	824
Key ratios			
ROE	29.0%	30.5%	31.2%
NIM ⁽¹⁾	2.77%	2.78%	2.86%
Efficiency ratio ⁽²⁾	47.8%	47.4%	46.8%
Efficiency ratio adjusted ^{(2), (3)}	46.8%	n.a.	n.a.
Operating leverage	(0.9)%	(1.3)%	n.a.
Operating leverage adjusted ⁽³⁾	1.3%	n.a.	n.a.
Selected average balance sheet information			
Total assets	\$ 368,800	\$ 355,300	\$ 330,700
Total earning assets ⁽⁴⁾	351,300	338,700	316,200
Loans and acceptances ⁽⁴⁾	351,600	337,800	315,400
Deposits	278,800	262,200	243,900
Attributed capital	15,200	14,050	12,700
Other information			
AUA ⁽⁵⁾	\$ 214,200	\$ 192,200	\$ 179,200
AUM	4,000	3,400	3,100
Number of employees (FTE)	36,174	38,011	38,244
Effective income tax rate	26.2%	25.2%	25.6%
Credit information			
Gross impaired loans as a % of average net loans and acceptances	0.54%	0.55%	0.58%
PCL on impaired loans as a % of average net loans and acceptances	0.31%	0.30%	0.37%

Estimated impact of U.S. dollar and Trinidad & Tobago dollar (TTD) translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2014 vs 2013
<i>Increase (decrease):</i>	
Total revenue	\$ 46
Non-interest expense	39
Net income	(1)
Percentage change in average US\$ equivalent of C\$1.00	(6)%
Percentage change in average TTD equivalent of C\$1.00	(7)%

(1) NIM is calculated as Net interest income divided by Average total earning assets.

(2) Efficiency ratio is calculated as Non-interest expense divided by Total revenue.

(3) Measures have been adjusted by excluding the loss related to the sale of RBC Jamaica and the provision related to post-employment benefits and restructuring charges in the Caribbean, and are non-GAAP measures. For further details, refer to the Key performance and non-GAAP measures section.

(4) Average total earning assets and average loans and acceptances include average securitized residential mortgages and credit card loans for the year of \$54.5 billion and \$8.0 billion, respectively (2013 – \$53.9 billion and \$7.2 billion; 2012 – \$44.9 billion and \$7.3 billion).

(5) AUA includes securitized residential mortgages and credit card loans as at October 31, 2014 of \$23.2 billion and \$8.0 billion respectively (October 31, 2013 – \$25.4 billion and \$7.2 billion; October 31, 2011 – \$31.0 billion and \$7.4 billion).

n.a. not applicable

Financial performance

2014 vs. 2013

Net income increased \$95 million or 2% compared to last year. Excluding the loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean, net income of \$4,607 million was up \$227 million or 5%, largely reflecting solid volume growth and strong fee-based revenue growth across most of our businesses in Canada, and the full integration of Ally Canada. These factors were partially offset by higher PCL largely in the Caribbean.

Total revenue increased \$711 million or 5% from last year, mainly due to solid volume growth of 5% across most of our Canadian businesses, and strong fee-based revenue growth primarily attributable to higher mutual fund distribution fees and card services revenue.

Net interest margin was relatively stable compared to last year.

PCL increased \$108 million, with the PCL ratio increasing 1 bp, largely reflecting an additional provision of \$50 million related to our impaired residential mortgages portfolio in the Caribbean, as well as higher provisions in our Canadian small business portfolio. For further details, refer to the Credit quality performance section.

Non-interest expense increased \$395 million or 6%. Excluding the specified items noted above, non-interest expense was up \$255 million or 4%, mostly due to higher staff and marketing costs in support of business growth, the impact of foreign exchange translation, and higher litigation provisions. These factors were partially offset by continuing benefits from our efficiency management activities and benefits from the full integration of Ally Canada.

Average loans and acceptances increased \$14 billion or 4%, mainly due to growth in Canada, primarily in residential mortgages, business loans, and personal loans. Average deposits increased \$17 billion or 6%, reflecting solid growth in both personal and business deposits.

2013 vs. 2012

Net income was up \$324 million or 8% from 2012, reflecting solid volume growth across all our businesses in Canada, improved credit quality in our Canadian and Caribbean portfolios, and the inclusion of our acquisition of Ally Canada. These factors were partially offset by spread compression, and a provision related to post-employment benefits and restructuring charges in the Caribbean of \$40 million (\$31 million after-tax). In addition, our results in 2012 were favourably impacted by a mortgage prepayment interest adjustment of \$125 million (\$92 million after-tax) resulting from a change in methodology with respect to the timing of recognition of mortgage prepayment interest.

Average loans and acceptances increased \$22 billion or 7% from 2012, mainly due to growth in Canadian home equity products, personal loans, and business loans. Average deposits increased \$18 billion or 8% from 2012, reflecting solid growth in both business and personal deposits.

Results excluding the specified items noted above are non-GAAP measures. For further details, including a reconciliation, refer to the Key performance and non-GAAP measures section.

In Canada, we operate through three business lines: Personal Financial Services, Business Financial Services and Cards and Payments Solutions. The following provides a discussion of our consolidated Canadian Banking results.

Canadian Banking financial highlights		Table 18		
(Millions of Canadian dollars, except number of and percentage amounts and as otherwise noted)				
	2014	2013	2012	
Net interest income	\$ 9,168	\$ 8,875	\$ 8,484	
Non-interest income	3,701	3,345	3,130	
Total revenue	12,869	12,220	11,614	
PCL	928	908	1,015	
Non-interest expense	5,687	5,464	5,163	
Net income before income taxes	6,254	5,848	5,436	
Net income	\$ 4,642	\$ 4,352	\$ 4,045	
Revenue by business				
Personal Financial Services	\$ 7,285	\$ 6,948	\$ 6,591	
Business Financial Services	3,135	2,990	2,894	
Cards and Payment Solutions	2,449	2,282	2,129	
Key ratios				
ROE	37.0%	37.5%	38.9%	
NIM ⁽¹⁾	2.71%	2.72%	2.78%	
Efficiency ratio ⁽²⁾	44.2%	44.7%	44.5%	
Operating leverage	1.2%	(0.6%)	n.a.	
Selected average balance sheet information				
Total assets	\$ 350,400	\$ 338,000	\$ 314,600	
Total earning assets ⁽³⁾	337,900	326,400	305,100	
Loans and acceptances ⁽³⁾	343,900	330,400	307,900	
Deposits	263,600	248,100	230,300	
Attributed capital	12,400	11,400	10,200	
Other information				
AUA ⁽⁴⁾	205,200	183,600	171,100	
Number of employees (FTE)	31,442	31,970	31,800	
Effective income tax rate	25.8%	25.6%	25.6%	
Credit information				
Gross impaired loans as a % of average net loans and acceptances	0.33%	0.36%	0.37%	
PCL on impaired loans as a % of average net loans and acceptances	0.27%	0.27%	0.33%	

(1) NIM is calculated as Net interest income divided by Average total earning assets.

(2) Efficiency ratio is calculated as Non-interest expense divided by Total revenue.

(3) Average total earning assets and average loans and acceptances include average securitized residential mortgages and credit card loans for the year of \$54.5 billion and \$8.0 billion, respectively (2013 – \$53.9 billion and \$7.2 billion; 2012 – \$44.9 billion and \$7.3 billion).

(4) AUA includes securitized residential mortgages and credit card loans as at October 31, 2014 of \$23.2 billion and \$8.0 billion respectively (October 31, 2013 – \$25.4 billion and \$7.2 billion; October 31, 2012 – \$31.0 billion and \$7.4 billion).

n.a. not applicable

Financial performance

2014 vs. 2013

Net income increased \$290 million or 7%, compared to last year, reflecting solid volume growth across most businesses, strong fee-based revenue growth, and the full integration of Ally Canada.

Total revenue increased \$649 million or 5% from last year, largely due to solid volume growth of 5% across most businesses, and strong fee-based revenue growth primarily attributable to higher mutual fund distribution fees and card services revenue.

Net interest margin was relatively stable compared to last year.

PCL increased \$20 million, with the PCL ratio flat, mainly due to higher provisions in our small business portfolio.

Non-interest expense increased \$223 million or 4%, due to higher staff and marketing costs in support of business growth, and higher litigation provisions. These factors were partially offset by continuing benefits from our efficiency management activities and benefits from the full integration of Ally Canada.

Average loans and acceptances increased \$14 billion or 4%, mainly due to growth in residential mortgages, business loans and personal loans. Average deposits increased \$16 billion or 6%, primarily reflecting growth in both personal and business deposits.

2013 vs. 2012

Net income increased \$307 million or 8% from 2012, reflecting solid volume growth across all businesses, improved credit quality, and the inclusion of our acquisition of Ally Canada. These factors were partially offset by higher costs in support of business growth and spread compression.

Business line review

Personal Financial Services

Personal Financial Services focuses on meeting the needs of our individual Canadian clients at every stage of their lives through a wide range of financing and investment products and services, including home equity financing, personal lending, deposit accounts, Canadian private banking, indirect lending (including auto financing), mutual funds and self-directed brokerage accounts, and Guaranteed Investment Certificates (GICs). We rank #1 or #2 in market share for most personal banking products in Canada and our retail banking network is the largest in Canada with 1,272 branches and 4,620 ATMs.

Financial performance

Total revenue increased \$337 million or 5% compared to last year, reflecting solid volume growth across most businesses, and higher mutual fund distribution fees.

Average residential mortgages increased 4% compared to 2013, resulting from solid housing market activity supported by the continuing low interest rate environment. Average personal loans grew 2% from last year largely due to growth in indirect lending. Average personal deposits grew 7% from last year, reflecting the acquisition of new clients as well as the continued use of savings and other deposits products by existing clients.

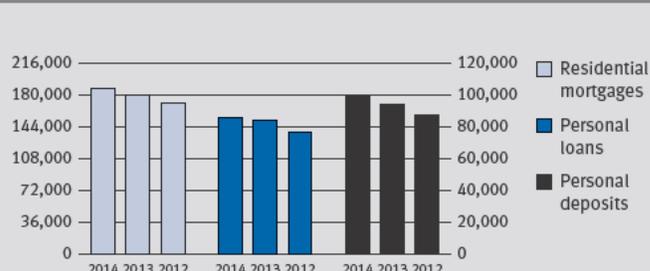
Selected highlights

Table 19

(Millions of Canadian dollars, except number of)	2014	2013	2012
Total revenue	\$ 7,285	\$ 6,948	\$ 6,591
Other information (average)			
Residential mortgages	186,700	178,700	170,400
Personal loans	85,200	83,600	76,300
Personal deposits	100,000	93,700	87,300
Personal GICs	65,100	63,100	59,100
Branch mutual fund balances (1)	111,600	95,300	82,300
AUA – Self-directed brokerage (1)	60,500	53,300	48,900
Number of:			
New deposit accounts opened (thousands)	1,514	1,285	1,204
Branches	1,272	1,255	1,239
ATM	4,620	4,622	4,724

(1) Represents year-end spot balances.

Average residential mortgages, personal loans and deposits
(Millions of Canadian dollars)



Business Financial Services

Business Financial Services offers a wide range of lending, leasing, deposit, investment, foreign exchange, cash management, auto dealer financing (floorplan), and trade products and services to small, medium-sized and commercial businesses and agriculture and agribusiness clients across Canada. Our business banking network has the largest team of relationship managers and specialists in the industry. Our strong commitment to our clients has resulted in our leading market share in business loans and deposits.

Financial performance

Total revenue increased \$145 million or 5% compared to last year, primarily due to strong volume growth in business deposits and business loans, and a favourable cumulative accounting adjustment related to deferred loan fees in our business lending portfolio. These factors were partially offset by spread compression from competitive pressures.

Average loans and acceptances increased 6% and average business deposits were up 8%, in a very competitive environment, due to increased activity from existing and new clients.

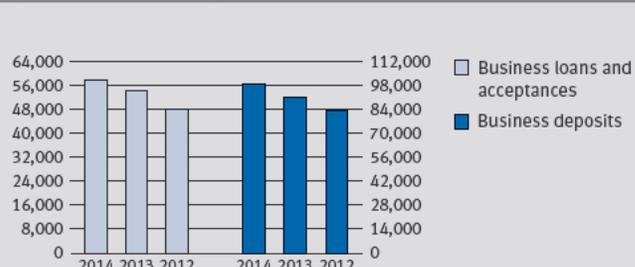
Selected highlights

Table 20

(Millions of Canadian dollars)	2014	2013	2012
Total revenue	\$ 3,135	\$ 2,990	\$ 2,894
Other information (average)			
Business loans and acceptances	57,900	54,500	48,300
Business deposits (1)	98,500	91,300	83,900

(1) Includes GIC balances.

Average business loans and acceptances and business deposits
(Millions of Canadian dollars)



Card and Payment Solutions

Cards and Payment Solutions provides a wide array of convenient credit cards with loyalty and reward benefits, and payment products and solutions within Canada. We have over 6.7 million credit card accounts and have approximately 23% market share of Canada's credit card purchase volume.

In addition, this business line includes our 50% interest in Moneris Solutions, Inc., our merchant card processing joint venture with the Bank of Montreal. Moneris processes approximately \$195 billion in annual credit and debit card transaction volumes.

Financial performance

Total revenue increased \$167 million or 7%, compared to last year, driven by improved spreads, higher balances and higher credit card transaction volumes.

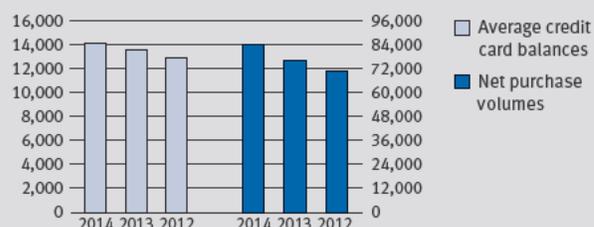
Average credit card balances increased 4% and net purchase volumes increased 10% due to higher active accounts driven by strength in new account acquisitions.

Selected highlights

Table 21

(Millions of Canadian dollars)	2014	2013	2012
Total revenue	\$ 2,449	\$ 2,282	\$ 2,129
Other information			
Average credit card balances	14,100	13,600	12,900
Net purchase volumes	84,200	76,200	70,500

Average credit card balances and net purchase volumes
(Millions of Canadian dollars)



Caribbean & U.S. Banking

Our Caribbean banking business offers a comprehensive suite of banking products and services, as well as international financing and trade promotion services through extensive branch, ATM, online and mobile banking networks.

Our U.S. cross-border banking business serves the needs of our Canadian clients within the U.S. through online and mobile channels, and offers a broad range of financial products and services to individual and business clients across all 50 states. As well, we serve the banking product needs of our U.S. wealth management clients.

Financial performance

Total revenue increased \$62 million or 8% from last year, primarily due to the impact of foreign exchange translation, and the implementation of full-service pricing in the Caribbean.

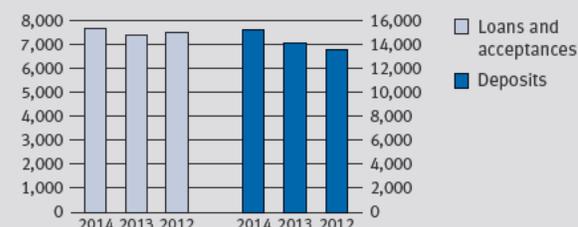
Average loans and acceptances increased \$300 million or 4%, primarily due to the impact of foreign exchange translation and strong loan growth in the U.S. client base. Average deposits increased \$1 billion or 8%, mostly due to increased liquidity in the Caribbean leading to higher savings and current account balances, and the impact of foreign exchange translation.

Selected highlights

Table 22

(Millions of Canadian dollars, except number of and percentage amounts)	2014	2013	2012
Total revenue	\$ 861	\$ 799	\$ 824
Other information			
Net interest margin	4.30%	4.56%	5.19%
Average loans and acceptances	7,700	7,400	7,500
Average deposits	15,200	14,100	13,600
AUA	9,000	8,600	8,100
AUM	4,000	3,400	3,100
Number of:			
Branches	93	116	121
ATM	309	351	341

Average loans and deposits (Millions of Canadian dollars)



Wealth Management comprises Canadian Wealth Management, U.S. & International Wealth Management and Global Asset Management (GAM). Wealth Management serves individual and institutional clients in target markets around the world. From our offices in key financial centres mainly in Canada, the U.S., the U.K., Channel Islands, continental Europe, and Asia, Wealth Management offers a comprehensive suite of investment, trust, banking, credit and other wealth management solutions to affluent, high net worth (HNW), and ultra-high net worth (UHNW) clients. Our asset management group, Global Asset Management, which includes BlueBay Asset Management (BlueBay), is an established global leader in investment management services, providing investment strategies and fund solutions directly to institutional investors and also to individual clients through our distribution channels and third-party distributors.

Economic and market review

Solid economic performance in Canada and the U.S., as well as strong growth in capital markets throughout most of fiscal 2014, drove higher growth in our average fee-based client assets through capital appreciation and net sales. The Euro area economy grew marginally, leading the ECB to implement policy measures aimed at restoring investor confidence and stimulating lending in the region. In addition, the continuing global low interest rate environment resulted in continued spread compression and money market fee waivers.

Highlights

- Capital appreciation and strong net sales continued to drive client assets higher surpassing \$1.1 trillion this year.
- In Canada, our full service private wealth business is the industry leader. We continued to extend our leadership amongst HNW clients by focusing on delivering comprehensive value to our clients, leveraging our expertise around business owners, succession and wealth planning.
- In the U.S., we are among the top 10 full service brokerage firms in terms of assets and number of advisors, and we continued to focus on improving advisor productivity.
- Outside Canada and the U.S., we have focused on select markets with growth potential where we are well positioned to succeed, while at the same time enhancing our product offering and operating environment.
- We continued to grow and invest in our high-performing asset management business and maintained a leading market share of 14.5% of the Canadian mutual fund asset management industry. We have increased BlueBay's distribution footprint with institutional clients and expanded our international distribution capabilities to U.S. and international institutional clients and professional buyers. We also enhanced our capabilities by acquiring differentiated global equities investment capabilities.
- The strength of our global capabilities and commitment to deliver integrated global wealth management advice, solutions and services to HNW and UHNW clients helped us earn significant industry awards. We were ranked or named:
 - 5th largest global wealth manager by client assets (*Scorpio Partnership's 2014 Global Private Banking KPI Benchmark*)
 - Outstanding Wealth Manager – Customer Relationship Service and Engagement (*Private Banker International*)
 - Best Fund Group Overall and Best Bond Funds Group (*Lipper Awards*)
 - A top 50 Global Asset Manager (*Pensions & Investments / Towers Watson*)
 - Best Bank-owned Brokerage Firm in Canada (*International Executive Brokerage Report Card*)
 - Trust Company of the Year (Society of Trust and Estate Practitioners)

Outlook and priorities

Economic and market conditions are expected to continue improving, particularly in Canada and the U.S., and we anticipate further growth in average fee-based client assets. We have also recently realigned our International Wealth Management business to allow us to continue focusing our strategic priorities around evolving markets and competition, and the changing needs of our clients. For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2015

- Bring the best of RBC to our clients by leveraging the RBC enterprise brand, capabilities and competitive strengths.
- Leverage and grow our high performing asset management business globally.
- Focus growth on the HNW and UHNW client segments in our priority markets.
- Focus on serving our international cross-border clients well from our targeted markets by realigning certain international businesses for sustainable growth and profitable scale.

(Millions of Canadian dollars, except number of and percentage amounts and as otherwise noted)	2014	2013	2012
Net interest income	\$ 469	\$ 396	\$ 393
Non-interest income			
Fee-based revenue	4,185	3,463	2,964
Transactional and other revenue	1,659	1,628	1,478
Total revenue	6,313	5,487	4,835
PCL	19	51	(1)
Non-interest expense	4,800	4,219	3,809
Net income before income taxes	1,494	1,217	1,027
Net income	\$ 1,083	\$ 886	\$ 753
Revenue by business			
Canadian Wealth Management	\$ 2,186	\$ 1,889	\$ 1,741
U.S. & International Wealth Management	2,430	2,225	1,977
U.S. & International Wealth Management (US\$ millions)	2,221	2,174	1,973
Global Asset Management (1)	1,697	1,373	1,117
Key ratios			
ROE	19.2%	15.8%	13.9%
Pre-tax margin (2)	23.7%	22.2%	21.2%
Selected average balance sheet information			
Total assets	\$ 25,800	\$ 21,600	\$ 20,900
Loans and acceptances	15,700	12,100	9,900
Deposits	36,200	31,900	29,200
Attributed capital	5,500	5,400	5,150
Other information			
Revenue per advisor (000s) (3)	\$ 983	\$ 862	\$ 793
AUA (4)	717,500	639,200	577,800
AUM (4)	452,300	387,200	339,600
Average AUA	690,500	609,500	554,800
Average AUM	427,800	367,600	322,500
Number of employees (FTE)	12,919	12,462	12,139
Number of advisors (5)	4,402	4,366	4,388

Estimated impact of U.S. dollar, British pound and Euro translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)

	2014 vs. 2013
<i>Increase (decrease):</i>	
Total revenue	\$ 212
Non-interest expense	180
Net income	21
Percentage change in average US\$ equivalent of C\$1.00	(6)%
Percentage change in average British pound equivalent of C\$1.00	(12)%
Percentage change in average Euro equivalent of C\$1.00	(8)%

(1) Effective the first quarter of 2014, BlueBay results are no longer reported on a one-month lag. As a result, 2014 included thirteen months of results from BlueBay.

(2) Pre-tax margin is defined as net income before income taxes divided by Total revenue.

(3) Represents investment advisors and financial consultants of our Canadian and U.S. full-service wealth businesses.

(4) Represents year-end spot balances.

(5) Represents client-facing advisors across all our wealth management businesses.

2014 vs. 2013

Net income increased \$197 million or 22% from a year ago, mainly due to higher earnings from growth in average fee-based client assets, primarily in our Global Asset Management and Canadian Wealth Management businesses.

Total revenue increased \$826 million or 15%, mainly due to higher revenue from growth in average fee-based client assets resulting from capital appreciation and strong net sales, and the impact of foreign exchange translation.

PCL decreased \$32 million mainly due to lower provisions on a few accounts. For further details, refer to the Credit quality performance section.

Non-interest expense increased \$581 million or 14%, mainly due to higher variable compensation driven by higher revenue, the impact of foreign exchange translation, and higher staff levels and infrastructure investments in support of business growth.

2013 vs. 2012

Net income increased \$133 million or 18% from 2012, mainly due to higher earnings from growth in average fee-based client assets resulting from net sales and capital appreciation and higher transaction volumes reflecting improved market conditions. These factors were partially offset by higher PCL.

Business line review

Canadian Wealth Management

Canadian Wealth Management includes our full-service Canadian wealth advisory business, which is the largest in Canada as measured by AUA, with over 1,600 investment advisors providing comprehensive advice-based financial solutions to affluent, HNW and UHNW clients. Additionally, we provide discretionary investment management and estate and trust services to our clients through approximately 60 investment counsellors and 95 trust professionals in locations across Canada.

We compete with domestic banks and trust companies, investment counselling firms, bank-owned full service brokerages and boutique brokerages, mutual fund companies and global private banks. In Canada, bank-owned wealth managers continue to be the major players.

Financial performance

Revenue increased \$297 million or 16% from a year ago, mainly due to higher revenue from a 14% increase in AUA reflecting capital appreciation and net sales.

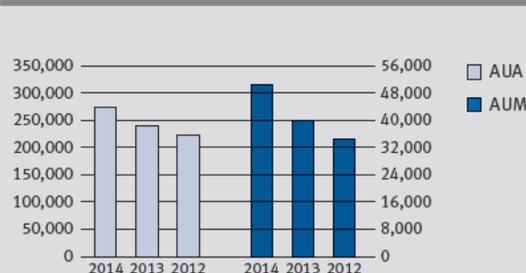
Selected highlights

Table 24

(Millions of Canadian dollars)	2014	2013	2012
Total revenue	\$ 2,186	\$ 1,889	\$ 1,741
Other information			
Total loans and acceptances (1)	3,000	2,500	2,300
Total deposits (1)	15,300	13,400	11,900
AUA	285,100	251,400	230,400
AUM	55,400	43,600	36,100
Average AUA	272,900	239,100	222,100
Average AUM	50,400	40,000	34,400
Total assets under fee-based programs	166,700	139,400	120,700

(1) Represents an average amount, which is calculated using methods intended to approximate the average of the daily balances for the period.

Average AUA and AUM (1) (Millions of Canadian dollars)



(1) Represents average balances, which are more representative of the impact client balances have upon our revenue.

U.S. & International Wealth Management

U.S. Wealth Management includes our private client group, which is the 8th largest full-service wealth advisory firm in the U.S., as measured by number of advisors, with over 1,800 financial advisors. Additionally, our correspondent and advisor services businesses deliver clearing and execution services for small to mid-sized independent broker-dealers and registered investment advisor firms. In the U.S., we operate in a fragmented and extremely competitive industry. There are approximately 4,300 registered broker-dealers in the U.S., comprising independent, regional and global players.

We have recently realigned our International Wealth Management business to focus on serving our international cross-border clients well from our targeted markets for sustainable growth and profitable scale. International Wealth Management includes Wealth Management – International (formerly Wealth Management – British Isles & Caribbean and also includes the international businesses in Canada and the U.S.), and Wealth Management – Emerging markets. We provide customized and integrated trust, banking, credit, and investment solutions to HNW and UHNW clients and corporate clients with over 1,500 employees located in 17 countries around the world. Competitors to our International Wealth Management business comprise global wealth managers, traditional offshore private banks, domestic wealth managers and U.S. investment-led private client operations.

Financial performance

Revenue increased \$205 million or 9% from a year ago. In U.S. dollars, revenue increased \$47 million or 2%, mainly due to higher revenue from a 6% increase in AUA reflecting capital appreciation and net sales, partially offset by the change in fair value of our U.S. share-based compensation plan, largely offset in non-interest expense.

Selected highlights

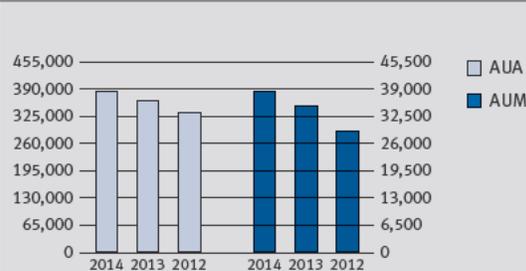
Table 25

(Millions of Canadian dollars, except otherwise noted)	2014	2013	2012
Total revenue	\$ 2,430	\$ 2,225	\$ 1,977
Other information (Millions of U.S. dollars)			
Total revenue	2,221	2,174	1,973
Total loans, guarantees and letters of credit (1)	14,500	12,100	10,200
Total deposits (1)	19,100	18,000	17,200
AUA	383,700	371,900	347,800
AUM	41,100	35,600	31,300
Average AUA	382,000	361,800	331,700
Average AUM	38,400	34,700	29,000
Total assets under fee-based programs (2)	94,500	83,200	71,700

(1) Represents an average amount, which is calculated using methods intended to approximate the average of the daily balances for the period.

(2) Represents amounts related to our U.S. wealth management businesses.

Average AUA and AUM (1) (Millions of U.S. dollars)



(1) Represents average balances, which are more representative of the impact client balances have upon our revenue.

Global Asset Management provides global investment management services and solutions for individual and institutional investors in Canada, the U.S., the U.K., Europe and emerging markets. We provide a broad range of investment management services through mutual, pooled and hedge funds, fee-based accounts and separately managed portfolios. We distribute our investment solutions through a broad network of bank branches, our self-directed and full-service wealth advisory businesses, independent third party advisors and private bank, and directly to individual clients. We also provide investment solutions directly to institutional clients, including pension plans, endowments and foundations.

We are the largest retail fund company in Canada as well as a leading institutional asset manager. We face competition in Canada from major banks, insurance companies, asset management organizations and boutique firms. The Canadian fund management industry is large and mature, but still a relatively fragmented industry.

In the U.S., our asset management business offers investment management solutions and services primarily to institutional investors and competes with independent asset management firms, as well as those that are part of national and international banks, insurance companies and boutique asset managers.

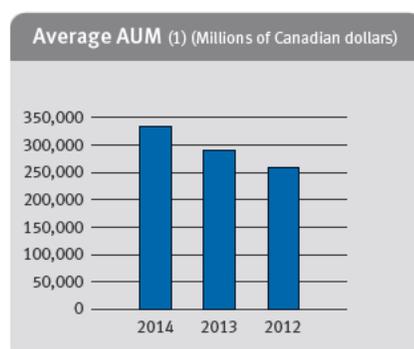
Internationally, through our leading global capabilities of BlueBay and RBC Global Asset Management, we offer investment management solutions for institutions and, through private banks including RBC Wealth Management, to HNW and UHNW investors. We face competition from asset managers that are part of international banks as well as national, regional and boutique asset managers in the geographies where we serve clients.

Financial performance

Revenue increased \$324 million or 24% from a year ago, mainly due to higher revenue from a 14% increase in AUM reflecting capital appreciation and strong net sales, the impact of foreign exchange translation, and an additional month of revenue from BlueBay.

Selected highlights		Table 26		
(Millions of Canadian dollars)	2014	2013	2012	
Total revenue (1)	\$ 1,697	\$ 1,373	\$ 1,117	
Other information				
Canadian net long-term mutual fund sales	10,982	8,064	7,906	
Canadian net money market mutual fund (redemptions) sales	(1,229)	(1,348)	(1,981)	
AUM	350,600	306,500	272,200	
Average AUM	335,300	292,100	259,100	

(1) Effective the first quarter of 2014, BlueBay results are no longer reported on a one-month lag. As a result, 2014 included thirteen months of results from BlueBay.



(1) Represents average balances, which are more representative of the impact client balances have upon our revenue.

Insurance

Insurance comprises our operations in Canada and globally and operates under two business lines: Canadian Insurance and International Insurance, providing a wide range of life, health, home, auto, travel, wealth and reinsurance products and solutions. In Canada, we offer our products and services through our proprietary distribution channels, comprised of the field sales force which includes retail insurance branches, our field sales representatives, call centres and online, as well as through independent insurance advisors and affinity relationships. Outside Canada, we operate in reinsurance markets globally offering life, accident and annuity reinsurance products. Our competitive environment is discussed below in each business.

Economic and market review

While the global insurance industry has shown signs of stabilization, we continued to experience pressure from systemic factors such as persistently low interest rates, uncertain global market conditions, a slowdown in consumer lending, and changes in the regulatory environment including the Ontario government's mandated auto rate reduction strategy which continue to impact the insurance marketplace. Although these factors have negatively impacted our businesses, product and pricing actions taken in recent years, a migration to lower cost proprietary distribution channels, conservative investment practices and diversified product lines have continued to mitigate this challenging environment.

Highlights

- We introduced tools, training and technology including simplified processes and improved applications to create a best-in-class sales force to capture increased market share in the Canadian insurance marketplace.
- For the 3rd consecutive quarter, RBC Insurance continues to be the fastest growing group insurance provider in Canada.
- Annual travel insurance plan solutions were launched in the branch network and to our credit card clients, including optional Trip Cancellation insurance.
- We made pricing and product enhancements in individual disability insurance including a new unique program for established professionals.
- The U.K. longevity risk transfer market continued to be robust as pension plan sponsors and annuity writers continued to pursue de-risking solutions. The market has seen growth in new entrants as well as various risk transfer options. We have been active in the U.K. market since 2008 and continue to selectively add annuity reinsurance contracts at a measured pace.

Outlook and priorities

We expect continued business growth as a result of the product and pricing actions taken during the last few years, including increasing volumes through our growing proprietary channels and the execution of efficiency management initiatives, which we anticipate will assist in mitigating economic and regulatory challenges. For further details, refer to the Economic and market review and outlook section.

Key strategic priorities for 2015

- Deepen client relationships by continuing to provide our customers with a comprehensive suite of insurance products and services based on their unique family needs.
- Continue to improve our proprietary channels distribution efficiency through implementation of performance management processes, a proactive sales culture and enhanced cross-selling initiatives.
- Continue to simplify the way we do business by streamlining all business processes to ensure that clients find it easy to do business with us, while diligently managing our expenses.
- Pursue select international opportunities, within our risk appetite, with the aim of continuing to grow our core reinsurance business.

Insurance

Table 27

(Millions of Canadian dollars, except percentage amounts and as otherwise noted)	2014	2013	2012
Non-interest income			
Net earned premiums	\$ 3,742	\$ 3,674	\$ 3,705
Investment income (1)	938	(17)	929
Fee income	284	271	263
Total revenue	4,964	3,928	4,897
Insurance policyholder benefits and claims (1)	3,194	2,326	3,055
Insurance policyholder acquisition expense	379	458	566
Non-interest expense	579	551	518
Net income before income taxes	812	593	758
Net income	\$ 781	\$ 595	\$ 713
Revenue by business			
Canadian Insurance	\$ 2,911	\$ 1,962	\$ 2,992
International Insurance	2,053	1,966	1,905
Key ratios			
ROE	49.7%	41.4%	46.7%
Selected average balance sheet information			
Total assets	\$ 12,000	\$ 11,900	\$ 11,500
Attributed capital	1,550	1,400	1,500
Other information			
Premiums and deposits (2)	\$ 5,164	\$ 4,924	\$ 4,849
Canadian Insurance	2,419	2,344	2,362
International Insurance	2,745	2,580	2,487
Insurance claims and policy benefit liabilities	8,564	8,034	\$ 7,921
Fair value changes on investments backing policyholder liabilities (1)	439	(491)	410
Embedded value (3)	6,239	6,302	5,861
AUM	700	500	300
Number of employees (FTE)	3,126	2,965	2,744

Estimated impact of U.S. dollar and British pound translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)

	2014 vs. 2013
Increase (decrease):	
Total revenue	\$ 74
PBCAE	75
Non-interest expense	–
Net income	(2)
Percentage change in average US\$ equivalent of C\$1.00	(6)%
Percentage change in average British pound equivalent of C\$1.00	(12)%

(1) Investment income can experience volatility arising from fluctuation of fair value through profit or loss (FVTPL) assets. The investments which support actuarial liabilities are predominantly fixed income assets designated as at FVTPL. Consequently changes in the fair values of these assets are recorded in investment income in the consolidated statement of income and are largely offset by changes in the fair value of the actuarial liabilities, the impact of which is reflected in insurance policyholder benefits and claims.

(2) Premiums and deposits include premiums on risk-based insurance and annuity products, and individual and group segregated fund deposits, consistent with insurance industry practices.

(3) Embedded value is defined as the sum of value of equity held in our Insurance segment and the value of in-force business (existing policies). For further details, refer to the Key performance and non-GAAP measures section.

Financial performance

2014 vs. 2013

Net income increased \$186 million or 31%. Excluding the charge last year of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, net income increased \$68 million, or 10%, mainly due to lower net claims costs, business growth in our European life and U.K. annuity products, and favourable actuarial adjustments reflecting management actions and assumption changes. Our results last year also included a favourable impact from interest and asset related activities on the Canadian life business.

Total revenue increased \$1,036 million or 26%, mainly due to the change in fair value of investments backing our policyholder liabilities resulting from a decrease in long-term interest rates, largely offset in PBCAE. Business growth in our European life and U.K. annuity products, and the impact of foreign exchange translation also contributed to the increase.

PBCAE increased \$789 million or 28%, mainly due to the change in fair value of investments backing our policyholder liabilities, which was largely offset in revenue, and the impact of foreign exchange translation. These factors were partially offset by lower net claims costs. In addition, our PBCAE last year included the unfavourable impact of the charge related to new tax legislation in Canada as noted above and a favourable impact from interest and asset related activities on the Canadian life business.

Non-interest expense increased \$28 million or 5%, mainly due to higher costs in support of business growth, partially offset by continuing benefits from our efficiency management activities.

Premiums and deposits were up \$240 million or 5%, reflecting growth in both International and Canadian Insurance.

Embedded value decreased \$63 million, as the impact of the transfer of capital from our insurance businesses through dividend payments was mostly offset by growth from operations and the favourable change in discount rates. For further details, refer to the Key performance and non-GAAP measures section.

2013 vs. 2012

Net income decreased \$118 million or 17% from 2012, mainly due to a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada. Excluding this charge, net income of \$713 million was relatively flat compared to 2012 as favourable actuarial adjustments reflecting management actions and assumption changes and the continuing benefit from our efficiency management activities were mostly offset by higher net claims costs.

Results excluding the specified item noted above are non-GAAP measures. For further details, including a reconciliation, refer to the Key performance and non-GAAP measures section.

Business line review

Canadian Insurance

We offer life, health, property and casualty insurance products as well as wealth accumulation solutions, to individual and group clients across Canada. Our life and health portfolio includes universal life, term life, critical illness, disability, long-term care insurance and group benefits. We offer a wide range of property and casualty products including home, auto and travel insurance. Our travel products include out of province/country medical coverage, trip cancellation insurance and interruption insurance.

In Canada, we compete against over 200 insurance companies, with the majority of the organizations specializing in either life and health, or property and casualty products. We hold a leading market position in disability insurance products, have a significant presence in life and travel products, and have a growing presence in the home, auto and wealth markets.

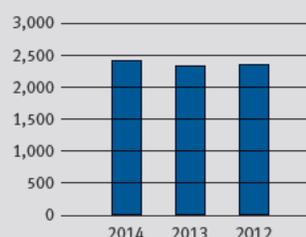
Financial performance

Total revenue increased \$949 million or 48% from last year, mainly due to the change in fair value of investments backing our policyholder liabilities resulting from the decrease in long-term interest rate, largely offset in PBCAE.

Premiums and deposits increased \$75 million or 3% reflecting growth in our life, health, wealth accumulation, home and auto product lines, partially offset by the impact of the sale of the travel agency insurance business in the previous year.

Selected highlights	Table 28		
(Millions of Canadian dollars)	2014	2013	2012
Total revenue	\$ 2,911	\$ 1,962	\$ 2,992
Other information			
Premiums and deposits			
Life and health	1,266	1,245	1,280
Property and casualty	951	942	965
Annuity and segregated fund deposits	202	157	117
Fair value changes on investments backing policyholder liabilities	490	(510)	408

Premiums and deposits (Millions of Canadian dollars)



International Insurance

International Insurance is primarily comprised of our reinsurance businesses which insure risks of other insurance and reinsurance companies. We offer life and health, accident and annuity reinsurance products.

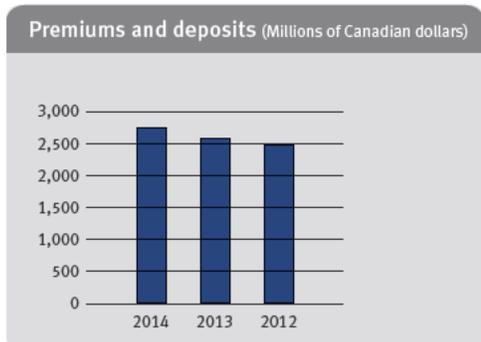
The global reinsurance market is dominated by a few large players, with significant presence in the U.S., U.K. and Euro area. The reinsurance industry is competitive but barriers to entry remain high.

Financial performance

Total revenue increased \$87 million or 4%, mainly due to business growth in our European life and U.K. annuity products and the impact of foreign currency translation. These factors were partially offset by the change in fair value of investments backing our policyholder liabilities, largely offset in PBCAE.

Premiums and deposits increased \$165 million, or 6% driven by volume growth in both U.K. annuity and European life products.

Selected highlights		Table 29		
(Millions of Canadian dollars)	2014	2013	2012	
Total revenue	\$ 2,053	\$ 1,966	\$ 1,905	
Other information				
Premiums and deposits				
Life and health	2,128	2,069	1,980	
Property and casualty	6	50	56	
Annuity	611	461	451	



Investor & Treasury Services

Investor & Treasury Services is a specialist provider of asset servicing, custody, payments, treasury services, and transaction banking for financial institutions and other institutional investors worldwide. We deliver custodial, advisory, financing and other services to safeguard client assets, maximize liquidity, and manage risk across multiple jurisdictions. We also provide short-term funding and liquidity management for RBC. We are a top 10 global custodian by assets under administration with a network of 18 offices across North America, Europe, the Middle East and Asia-Pacific. While we compete against the world's largest global custodians, we remain a specialist provider and our transaction banking business competes primarily with major Canadian banks.

Economic and market review

The highly competitive environment in the global custody industry continued to exert downward pressure on margins in 2014. Continued uncertainty relating to the timing of a recovery in the Euro area economy and the corresponding low to negative interest rate environment reduced deposit rates, leading to spread compression. In Canada and the U.S., investor confidence improved, driving higher transaction volumes and growth in custodial fees. Increased regulation across the industry continued to impact our custody business, resulting in higher compliance and technology costs.

Highlights

- We maintained our leading market position in Canada by focusing on new client wins and deepening relationships with existing clients.
- We continued to evolve our service offering by investing in technology to provide enhanced solutions and we restructured our coverage teams to better serve our key client segments.
- We achieved improved earnings and extracted further expense savings with the continuation of our efficiency management program.
- We delivered strong growth in client deposits in support of RBC growth objectives.
- As a result of our successes, we received external recognition and were named:
 - Best Custodian Overall (*Global Investor*) and Fund Administrator of the Year (*GlobalCustody.net Survey*);
 - Real Estate Fund Administrator of the Year (*Custody Risk European Awards*).

Outlook and priorities

In 2015 we will mark the transition to 'business-as-usual operations' following extensive integration efforts since the formation of the Investor & Treasury Services segment two years ago. Having achieved significant cost savings as well as revenue growth, our focus in 2015 will be to leverage our leading market position in Canada and our offshore capabilities in Luxembourg and Ireland to increase sales revenue. While we expect the asset servicing environment to remain challenging in the near-term largely due to competitive margin pressures and the continuing low interest rate environment, we believe we are well-positioned to compete in the continuously changing operating environment. For further details on our general economic review and outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2015

- Maintain our leadership position in Canada by continuing to invest in technology solutions that enhance the overall client experience.
- Evolve our global operating and client servicing model to improve efficiencies by leveraging the strength of our leading offshore service offering in Luxembourg and Ireland for our global client base.
- Continue to support RBC growth strategies through the expertise of our liquidity management team.
- Leverage our enterprise-wide relationships to access new business and broaden client opportunities.

(Millions of Canadian dollars, except percentage amounts and as otherwise noted)	2014	2013	2012
Net interest income	\$ 732	\$ 671	\$ 612
Non-interest income	1,152	1,133	293
Total revenue	1,884	1,804	905
Non-interest expense	1,286	1,348	701
Net income before income taxes	598	456	204
Net income	\$ 441	\$ 339	\$ 102
Key Ratios			
ROE	19.8%	16.5%	5.3%
ROE adjusted (1)	n.a.	18.1%	17.9%
Selected average balance sheet information			
Total assets	\$ 94,200	\$ 83,100	\$ 66,900
Deposits	112,100	104,300	92,900
Client deposits	42,700	36,100	14,100
Wholesale funding deposits	69,400	68,200	78,800
Attributed capital	2,150	2,000	1,700
Other Information			
AUA	3,702,800	3,208,800	2,886,900
Average AUA	3,463,000	3,052,600	2,781,800
Number of employees (FTE)	4,963	5,208	6,084

Estimated impact of U.S. dollar, British pound and Euro translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2014 vs. 2013
<i>Increase (decrease):</i>	
Total revenue	\$ 69
Non-interest expense	57
Net income	7
Percentage change in average US\$ equivalent of C\$1.00	(6)%
Percentage change in average British pound equivalent of C\$1.00	(12)%
Percentage change in average Euro equivalent of C\$1.00	(8)%

(1) Measures have been adjusted by excluding a restructuring charge related to the integration of Investor Services and the acquisition of the remaining 50% stake of RBC Dexia, and are non-GAAP measures. For further details, refer to the Key performance and non-GAAP measures section.

n.a. not applicable

Financial performance

2014 vs. 2013

Net income increased \$102 million or 30% from last year. Excluding a restructuring charge last year of \$44 million (\$31 million after-tax) related to the integration of Investor Services, net income increased \$71 million or 19%, largely due to continuing benefits from our efficiency management activities and higher earnings from growth in client deposits.

Total revenue increased \$80 million or 4% from last year, mainly reflecting the impact of foreign exchange translation, higher net interest income resulting from growth in client deposits, and higher funding and liquidity revenue as a result of tightening credit spreads. These factors were partially offset by a decrease in custodial fees and lower foreign exchange transaction volumes in Investor Services.

Non-interest expense decreased \$62 million or 5% from last year. Excluding the restructuring charge last year noted above, non-interest expense decreased \$18 million or 1%, primarily reflecting continuing benefits from our efficiency management activities, largely offset by the impact of foreign exchange translation.

2013 vs. 2012

Net income was up \$237 million from 2012. Excluding the restructuring charge in 2013 noted above and a loss of \$224 million (\$213 million after-tax) in 2012 related to the acquisition of the remaining 50% stake of RBC Dexia, net income increased \$55 million or 17%, largely due to continuing benefits from our efficiency management activities and incremental earnings related to our additional 50% ownership of Investor Services. Higher custodial fees and increased foreign exchange in Investor Services also contributed to the increase. These factors were partially offset by lower funding and liquidity results and higher infrastructure costs.

Results excluding the specified items noted above are non-GAAP measures. For further details, including a reconciliation, refer to the Key performance and non-GAAP measures section.

Capital Markets

Capital Markets provides public and private companies, institutional investors, governments and central banks globally with a wide range of capital markets products and services across our two main business lines, Corporate and Investment Banking and Global Markets. Our legacy portfolio is grouped under Other.

In North America, we offer a full suite of products and services which include corporate and investment banking, equity and debt origination and distribution, and structuring and trading. Outside North America, we have a select presence in the U.K. and Europe, and Asia-Pacific, where we offer a diversified set of capabilities in our key sectors of expertise such as energy, mining and infrastructure and we are now expanding into industrial, consumer and healthcare in Europe.

In Canada, we compete mainly with Canadian banks where we are the premier global investment bank and market leader with a strategic presence in all lines of capital markets businesses. In the U.S., we have full industry sector coverage and investment banking product range and compete with large U.S. and global investment banks as well as smaller regional firms. In the U.K. and Europe, we compete in our key sectors of

expertise with global and regional investment banks. In Asia-Pacific, we compete with global and regional investment banks in select products, consisting of our fixed income distribution and currencies trading in Asia and our corporate and investment banking in Australia.

Economic and market review

The capital market environments in the U.S. and Canada were strong during 2014 partly reflecting solid economic growth in both countries and ongoing favourable monetary policies, while growth in European economies and markets improved marginally during 2014. However recent geopolitical uncertainties and expectations for recessionary conditions in Europe led to some volatility towards the end of our fiscal year.

Strong client activity reflecting economic growth particularly in the U.S. and Canada, and the low interest rate environment led to strong issuance activity throughout most of the year, with our corporate and investment banking businesses continuing to perform well, as we continued to focus our efforts on origination and increased activity from client-focused strategies. Equity trading businesses were strong during the year, driven by economic growth in the U.S., Canada and U.K. Fixed income trading businesses strengthened in Europe and the U.S. reflecting improved market conditions driven by stable credit spreads when compared to volatile credit spreads experienced in 2013.

Highlights

- We continued to focus on growing our corporate and investment banking businesses, particularly in the U.S. and Europe, while rebalancing our global markets businesses by leveraging our investments that were made in prior years, allocating capital from trading to corporate and investment banking businesses and managing risks by narrowing the focus of our trading products.
- In Canada, we maintained our market leadership by deepening our existing client relationships, gaining new clients by leveraging our strong cross border capabilities and improving collaboration with Wealth Management to drive operational efficiencies, and offering a full suite of global capabilities. We continued to win significant mandates including acting as global coordinators and joint bookrunner on a US\$3 billion bought deal financing for Barrick Gold Corporation, and acting as joint bookrunner on Encana Corporation's \$2.6 billion bought secondary offering of PrairieSky Royalty Ltd.
- In the U.S., we continued to leverage our key strategic investments made in recent years to expand our corporate and investment banking businesses. We successfully positioned our lending relationships as we continued to focus on origination and increased activity from client-focused strategies, and our trading businesses took advantage of improved market conditions, particularly in the fixed income credit, equity and municipal markets. We continued growing our businesses and won several significant mandates including acting as joint bookrunner and sole swap arranger in a US\$1 billion debt offering for AT&T.
- In the U.K. and Europe, we continued to expand our corporate and investment banking businesses. We won new mandates including acting as sole financial advisor to the Irish government-owned utility Bord Gáis Eireann on its sale of Bord Gáis Energy for €1.1 billion.
- In Asia, we continued to focus on our fixed income trading distribution and foreign exchange trading capabilities, while in Australia, we continued to selectively grow our corporate and investment banking business in mining, energy and infrastructure. We won new mandates including acting as joint bookrunner in a US\$3.25 billion debt offering for Westpac Banking Corporation.
- As a result of our successes in each of our regions, we received external recognition as an industry leader and were named or ranked:
 - Best Investment Bank in Canada by *Euromoney Magazine* for the seventh consecutive year.
 - The 10th largest investment bank globally and in the U.S. by fees for the first nine months of 2014 (*Dealogic*).
 - The most trusted investment bank in the world and ranked second globally in terms of expertise and skills by the *Economist*.
 - The 14th largest financial advisor to M&A deals globally by value for the first nine months of 2014 (*Dealogic*), up from 18th for the same period last year.

Outlook and priorities

We expect continuing improvement in economic and market environments in 2015. We have positioned our business through strategic investments in our U.S. and U.K. corporate and investment banking businesses in recent years to take advantage of these improved economic conditions. As a result, we anticipate growth in our corporate and investment banking businesses reflecting our continued focus on lending and client focused activities. However, we expect that growth in our net lending revenue will be impacted by increased competition and narrower spreads. Overall we anticipate slight growth in our fixed income, currencies and commodities businesses reflecting improving market conditions.

We continue to work towards compliance with Volcker Rule restrictions in the U.S. on banking entities engaging in proprietary trading and having certain relationships with hedge and private equity funds by July 2015. As a result, we have exited certain proprietary trading strategies and believe that our remaining strategies are permitted under the Volcker Rule as we expect to conduct these in accordance with certain exemptions from the regulation (e.g. activities found to be conducted solely outside the U.S.) We do not expect these changes to have a material effect on our results in our global markets businesses. Further growth in our businesses will be dependent on continued growth in the global economy, impacts associated with other regulatory reforms, and implications associated with heightened concerns from regulators related to leveraged finance activities.

For further details, refer to our Risk management – Top and emerging risks section. For further details on our general economic outlook, refer to the Economic and market review and outlook section.

Key strategic priorities for 2015

- Maintain our leadership position in Canada by focusing on long-term client relationships, leveraging our global capabilities, and continuing to improve collaboration with Wealth Management.
- Expand and strengthen client relationships in the U.S. by building on our momentum through expanded origination, advisory and distribution activity, and driving cross-selling through our diversified loan book.
- Build on our core strengths in Europe and Asia in both Corporate and Investment Banking and Global Markets by continuing to grow and deepen client relationships.
- Optimize capital use to earn high risk-adjusted returns by maintaining both a balanced approach between investment banking and trading revenues and a disciplined approach to managing the risk and costs of our business.
- Manage through the significant changes in the regulatory environment.

(Millions of Canadian dollars, except percentage amounts and as otherwise noted)	2014	2013	2012
Net interest income (1)	\$ 3,485	\$ 2,872	\$ 2,559
Non-interest income	3,881	3,708	3,629
Total revenue (1)	7,366	6,580	6,188
PCL	44	188	135
Non-interest expense	4,344	3,856	3,752
Net income before income taxes	2,978	2,536	2,301
Net income	\$ 2,055	\$ 1,700	\$ 1,576
Revenue by business			
Corporate and Investment Banking	\$ 3,437	\$ 3,014	\$ 2,533
Global Markets	3,930	3,492	3,635
Other	(1)	74	20
Key ratios			
ROE	14.1%	14.1%	13.4%
Selected average balance sheet information			
Total assets	\$ 392,300	\$ 368,300	\$ 349,200
Trading securities	103,800	100,800	90,400
Loans and acceptances	64,800	54,700	47,000
Deposits	47,600	38,400	33,700
Attributed capital	14,100	11,500	11,150
Other information			
Number of employees (FTE)	3,927	3,729	3,658
Credit information			
Gross impaired loans as a % of average net loans and acceptances	0.08%	0.42%	0.83%
PCL on impaired loans as a % of average net loans and acceptances	0.07%	0.34%	0.29%

Estimated impact of U.S. dollar, British pound and Euro translation on key income statement items

(Millions of Canadian dollars, except percentage amounts)	2014 vs. 2013
Increase (decrease):	
Total revenue	\$ 421
Non-interest expense	227
Net income	121
Percentage change in average US\$ equivalent of C\$1.00	(6)%
Percentage change in average British pound equivalent of C\$1.00	(12)%
Percentage change in average Euro equivalent of C\$1.00	(8)%

(1) The teb adjustment for 2014 was \$492 million (2013 – \$380 million, 2012 – \$431 million). For further discussion, refer to the How we measure and report our business segments section.



Financial performance

2014 vs. 2013

Net income increased \$355 million or 21%, reflecting growth across most businesses, largely driven by strong equity markets, our continued focus on origination and lending, and increased activity from client-focused strategies. Lower PCL also contributed to the increase. These factors were partially offset by higher litigation provisions and related legal costs.

Total revenue increased \$786 million or 12%, largely due to higher equity trading revenue reflecting strong market conditions, the impact of foreign exchange translation, strong growth in most of our investment banking businesses and higher lending revenue. These factors were partially offset by lower fixed income trading revenue largely driven by the unfavourable impact of the implementation of valuation adjustments related to funding costs on uncollateralized OTC derivatives, and the exiting of certain proprietary trading strategies to comply with the Volcker Rule. In addition, our revenue last year was favourably impacted by the disposition of our London Metal Exchange shares.

PCL decreased \$144 million or 77%, as last year included higher provisions on a few accounts. For further details, refer to the Credit quality performance section.

Non-interest expense increased \$488 million or 13%, mainly due to the impact of foreign exchange translation, higher litigation provisions and related legal costs, and higher variable compensation on improved results.

2013 vs. 2012

Net income increased \$124 million or 8% from 2012, primarily due to strong growth in our corporate and investment banking businesses mainly driven by higher lending, loan syndication and debt origination mainly in the U.S., and lower variable compensation. These factors were partially

offset by lower revenue in our fixed income trading businesses largely in Europe, as a result of challenging market conditions in 2013, higher litigation provisions and related legal costs, and higher PCL.

Business line review

Corporate and Investment Banking

Corporate and Investment Banking comprises our corporate lending, loan syndications, debt and equity origination, M&A advisory services, private equity, research, client securitization and the global credit businesses. For debt and equity origination, revenue is allocated between Corporate and Investment Banking and Global Markets based on the contribution of each group in accordance with an established agreement.

Financial performance

Corporate and Investment Banking revenue of \$3,437 million increased \$423 million or 14%, as compared to last year.

Investment banking revenue increased \$162 million or 10%, mainly driven by strong growth in equity origination reflecting increased issuance activity mainly in Canada and the U.S. Higher distributions on private equity investments and higher M&A activity reflecting increased mandates primarily in the U.S. also contributed to the increase. These factors were partially offset by lower loan syndication activity mainly in the U.S. compared to the strong levels last year.

Lending and other revenue increased \$261 million or 18%, mainly due to strong growth in our lending portfolio.

Selected highlights

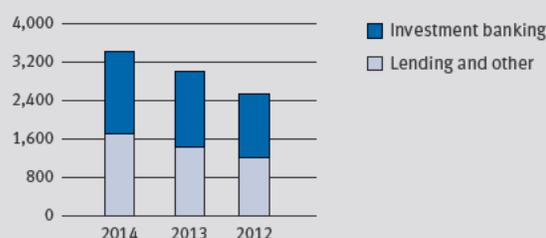
Table 32

(Millions of Canadian dollars)	2014	2013	2012
Total revenue (1)	\$ 3,437	\$ 3,014	\$ 2,533
Breakdown of revenue (1)			
Investment banking	1,736	1,574	1,338
Lending and other (2)	1,701	1,440	1,195
Other information			
Average assets	49,500	40,000	33,800
Average loans and acceptances	42,530	34,350	27,875

(1) The teb adjustment for 2014 was \$13 million (2013 – \$2 million, 2012 – \$10 million). For further discussion, refer to the How we measure and report our business segments section.

(2) Comprises our corporate lending, client securitization, and global credit businesses.

Breakdown of total revenue (Millions of Canadian dollars)



Global Markets

Global Markets comprises our fixed income, foreign exchange, equity sales and trading, repos and secured financing and commodities businesses.

Financial performance

Total revenue of \$3,930 million increased \$438 million or 13% as compared to last year.

Revenue in our Fixed income, currencies and commodities business decreased \$33 million or 2%. The unfavourable impact of the implementation of the FVA noted above, and the exiting of certain proprietary trading strategies to comply with the Volcker Rule, were largely offset by higher fixed income trading revenue reflecting strong market conditions as compared to the challenging market conditions last year, and higher commodities trading revenue.

Revenue in our Equities business increased \$254 million or 26%, primarily due to strong equity markets and our continued focus on equity origination and increased activity from client-focused strategies.

Revenue in our Repo and secured financing business increased \$217 million or 32%, mainly due to higher trading revenue reflecting increased client activity.

Selected highlights

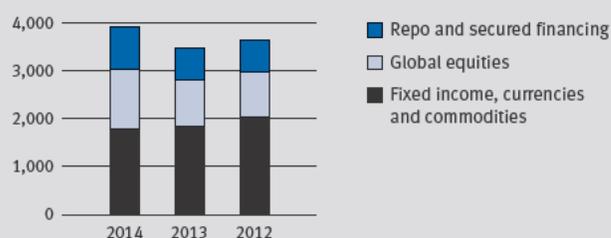
Table 33

(Millions of Canadian dollars)	2014	2013	2012
Total revenue (1)	\$ 3,930	\$ 3,492	\$ 3,635
Breakdown of revenue (1)			
Fixed income, currencies and commodities	1,801	1,834	2,052
Equities	1,243	989	927
Repo and secured financing (2)	886	669	656
Other information			
Average assets	369,200	351,100	311,700

(1) The teb adjustment for 2014 was \$470 million (2013 – \$378 million, 2012 – \$421 million). For further discussion, refer to the How we measure and report our business segments section.

(2) Comprises our secured funding businesses for internal businesses and external clients.

Breakdown of total revenue (Millions of Canadian dollars)



Other

Other comprises our legacy portfolio which consists of our bank-owned life insurance (BOLI) stable value products, U.S. commercial mortgage-backed securities, U.S. auction rate securities (ARS), and structured rates in Asia. In recent years, in order to optimize our capital employed to improve our risk-adjusted returns and reduce our liquidity risk on various products, we have significantly reduced several of our legacy portfolios. Our legacy portfolios decreased by 20% as compared to last year.

Financial performance

Revenue decreased \$75 million as compared to last year, mainly due to gains taken on certain legacy portfolios in 2013.

Corporate Support

Corporate Support comprises Technology & Operations which provide the technological and operational foundation required to effectively deliver products and services to our clients, and Functions which includes our finance, human resources, risk management, internal audit and other functional groups. Reported results for Corporate Support mainly reflect certain activities related to monitoring and oversight of enterprise activities which are not allocated to business segments. Corporate Support also includes our Corporate Treasury function. For further details, refer to the How we measure and report our business segments section.

Corporate Support

Table 34

(Millions of Canadian dollars, except number of)

	2014	2013	2012
Net interest income (loss) ⁽¹⁾	\$ (313)	\$ (124)	\$ (184)
Non-interest income (loss)	164	(12)	68
Total revenue ⁽¹⁾	(149)	(136)	(116)
PCL	(2)	3	–
Non-interest expense	89	72	39
Net income (loss) before income taxes ⁽¹⁾	(236)	(211)	(155)
Income taxes (recoveries) ⁽¹⁾	(405)	(653)	(513)
Net income ⁽²⁾	\$ 169	\$ 442	\$ 358
Other information			
Number of employees (FTE)	12,388	11,871	11,508

(1) Teb adjusted.

(2) Net income reflects income attributable to both shareholders and Non-Controlling Interests (NCI). Net income attributable to NCI for the year ended October 31, 2014 was \$93 million (October 31, 2013 – \$93 million; October 31, 2012 – \$92 million).

Due to the nature of activities and consolidated adjustments reported in this segment, we believe that a comparative period analysis is not relevant. The following identifies material items affecting the reported results in each period.

Net interest income (loss) and income taxes (recoveries) in each period in Corporate Support include the deduction of the teb adjustments related to the gross-up of income from Canadian taxable corporate dividends recorded in Capital Markets. The amount deducted from net interest income (loss) was offset by an equivalent increase in income taxes (recoveries). The teb amount for the year ended October 31, 2014 was \$492 million as compared to \$380 million last year and \$431 million for the year ended October 31, 2012. For further discussion, refer to the How we measure and report our business segments section.

In addition to the teb impacts noted above, the following identifies the other material items affecting the reported results in each period.

2014

Net income was \$169 million largely reflecting asset/liability management activities and gains on private equity investments mainly related to the sale of a legacy portfolio, partially offset by net unfavourable tax adjustments.

2013

Net income was \$442 million largely reflecting net favourable tax adjustments, including \$214 million of income tax adjustments related to previous years, and asset/liability management activities.

2012

Net income was \$358 million largely reflecting the settlement of several tax matters with the CRA which resulted in the release of \$128 million of tax uncertainty provisions and interest income of \$72 million (\$53 million after-tax) related to a refund of taxes paid and asset/liability management activities.

Quarterly financial information

Fourth quarter 2014 performance

Q4 2014 vs. Q4 2013

Fourth quarter net income of \$2,333 million, was up \$232 million or 11% from last year. Diluted EPS of \$1.57 was up \$0.18 and ROE of 19.0% was up 20 bps. Our fourth quarter earnings reflected higher earnings from growth in average fee-based client assets in Wealth Management, and higher earnings in Canadian Banking reflecting strong fee-based revenue growth and solid volume growth of 5%. Lower net claims costs and business growth in European Life and U.K. annuity products in Insurance also contributed to the increase. These factors were partially offset by lower trading results in Capital Markets. Our fourth quarter results last year were impacted by a charge of \$160 million (\$118 million after-tax) as

a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, which was largely offset by net favourable income tax adjustments including a \$124 million income tax adjustment related to prior years.

Total revenue increased \$463 million or 6%, mainly due to higher revenue from growth in average fee-based client assets in Wealth Management, strong fee-based revenue growth primarily attributable to higher mutual fund distribution fees and card services revenue, solid volume growth of 5% across most of our Canadian Banking businesses, and favourable net cumulative accounting adjustments in the current quarter of \$55 million (\$40 million after-tax) in Canadian Banking. Higher corporate and investment banking revenue mainly reflecting increased investment banking activity and strong growth in lending in Capital Markets, as well as a change in the fair value of investments backing our policyholder liabilities in Insurance, largely offset in PBCAE, also contributed to the increase. These factors were partly offset by lower trading revenue which included the unfavourable impact of the implementation of FVA on uncollateralized OTC derivatives and the exiting of certain proprietary trading strategies during the quarter to comply with the Volcker Rule.

Total PCL increased \$11 million from last year, mainly reflecting an additional provision of \$50 million related to our impaired residential mortgages portfolio in the Caribbean, and a provision on a single account in Capital Markets. These factors were partly offset by lower provisions in our Canadian personal lending portfolio. In addition, our PCL last year included provisions on a few accounts in Wealth Management. The PCL ratio of 31 bps decreased 1 bp from last year.

PBCAE decreased \$126 million or 14%, as last year was impacted by the charge related to new tax legislation in Canada noted above. A favourable claims adjustment in our life retrocession business also contributed to the decrease. These factors were partially offset by the change in fair value of investments backing our policyholder liabilities, which was largely offset in revenue.

Non-interest expense increased \$189 million or 5%, primarily reflecting higher costs in support of business growth, higher variable compensation in Wealth Management driven by higher revenue, and increased marketing costs. These factors were partially offset by continuing benefits from our efficiency management activities.

Q4 2014 vs. Q3 2014

Net income of \$2,333 million decreased \$45 million, or 2% compared to the prior quarter, as solid revenue growth in our retail businesses including higher earnings from average fee-based client assets in Wealth Management, and the favourable net cumulative accounting adjustments noted above and fee-based revenue growth in Canadian Banking were more than offset by lower trading results reflecting challenging market conditions compared to strong levels last quarter, the implementation of FVA, and the exiting of certain proprietary trading strategies noted above. Lower results in most investment banking businesses compared to strong levels last quarter, and restructuring costs related to our U.S. and International Wealth Management businesses also contributed to the decrease. Our prior quarter results were impacted by a loss of \$40 million (before- and after-tax) related to the closing of the sale of RBC Jamaica.

Quarterly results and trend analysis

Our quarterly results are impacted by a number of trends and recurring factors, which include seasonality of certain businesses, general economic and market conditions, and fluctuations in the Canadian dollar relative to other foreign currencies. The following table summarizes our results for the last eight quarters (the period):

Quarterly results ^{(1), (2)}

Table 35

(Millions of Canadian dollars, except per share and percentage amounts)	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	\$ 3,560	\$ 3,647	\$ 3,449	\$ 3,460	\$ 3,351	\$ 3,392	\$ 3,222	\$ 3,284
Non-interest income	4,822	5,343	4,827	5,000	4,568	3,784	4,501	4,580
Total revenue	\$ 8,382	\$ 8,990	\$ 8,276	\$ 8,460	\$ 7,919	\$ 7,176	\$ 7,723	\$ 7,864
PCL	345	283	244	292	334	267	287	349
PBCAE	752	1,009	830	982	878	263	938	705
Non-interest expense	4,340	4,602	4,332	4,387	4,151	3,999	4,015	4,049
Net income before income taxes	\$ 2,945	\$ 3,096	\$ 2,870	\$ 2,799	\$ 2,556	\$ 2,647	\$ 2,483	\$ 2,761
Income taxes	612	718	669	707	455	362	574	714
Net income	\$ 2,333	\$ 2,378	\$ 2,201	\$ 2,092	\$ 2,101	\$ 2,285	\$ 1,909	\$ 2,047
EPS – basic	\$ 1.57	\$ 1.59	\$ 1.47	\$ 1.39	\$ 1.40	\$ 1.52	\$ 1.26	\$ 1.35
– diluted	1.57	1.59	1.47	1.38	1.39	1.51	1.25	1.34
Segments – net income (loss)								
Personal & Commercial Banking	\$ 1,151	\$ 1,138	\$ 1,115	\$ 1,071	\$ 1,070	\$ 1,167	\$ 1,039	\$ 1,104
Wealth Management	285	285	278	235	202	233	222	229
Insurance	256	214	154	157	107	160	164	164
Investor & Treasury Services	113	110	112	106	91	104	65	79
Capital Markets	402	641	507	505	469	386	383	462
Corporate Support	126	(10)	35	18	162	235	36	9
Net income – total	\$ 2,333	\$ 2,378	\$ 2,201	\$ 2,092	\$ 2,101	\$ 2,285	\$ 1,909	\$ 2,047
Effective income tax rate	20.8%	23.2%	23.3%	25.3%	17.8%	13.7%	23.1%	25.9%
Period average US\$ equivalent of C\$1.00	\$ 0.900	\$ 0.925	\$ 0.907	\$ 0.926	\$ 0.960	\$ 0.963	\$ 0.982	\$ 1.005

(1) Fluctuations in the Canadian dollar relative to other foreign currencies have affected our consolidated results over the period.

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

Seasonality

Seasonal factors impact our results in most quarters. The first quarter is seasonally stronger for our capital markets businesses. The second quarter has fewer days than the other quarters, which generally results in a decrease in net interest income and certain expense items. The third quarter results for Investor Services are generally favourably impacted by higher securities lending as a result of the European dividend season. The third and fourth quarters include the summer months during which market activity generally tends to slow, negatively impacting the results of our capital markets, brokerage and investment management businesses.

Notable items affecting our consolidated results

- In the third quarter of 2014, our results included a loss of \$40 million (before- and after-tax) which includes foreign currency translation related to the closing of the sale of RBC Jamaica.
- In the first quarter of 2014, our results included a loss of \$60 million (before- and after-tax) related to the announced sale of RBC Jamaica, as well as a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean.
- In the fourth quarter of 2013, our results included a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies, as well as net favourable income tax adjustments including a \$124 million income tax adjustment related to prior years.
- In the third quarter of 2013, our results included net favourable income tax adjustments including a \$90 million income tax adjustment related to 2012.
- In the second quarter of 2013, our results included a restructuring charge of \$44 million (\$31 million after-tax) related to the integration of Investor Services, primarily in Europe.

Trend analysis

Economic conditions in Canada and the U.S. have continued to improve over the period, driven mostly by solid consumer spending supported by strengthening labour markets, along with firm housing market activity. Capital markets in both countries have generally strengthened since 2013, despite the recent conclusion of the Fed's monthly asset purchase program. Global equity indices experienced volatility throughout the period resulting from geopolitical uncertainty and the possibility of Euro area recession. For further details, refer to the Economic and market review and outlook section.

Earnings have generally trended upwards over the period, driven by solid volume growth in our Canadian Banking businesses and higher earnings from growth in average-fee based client assets reflecting capital appreciation and strong net sales in Wealth Management. Capital Markets results have generally trended upwards since the third quarter of 2013, and were negatively impacted in the fourth quarter of 2014 by the implementation of FVA on uncollateralized OTC derivatives, and the exiting of certain proprietary trading strategies to comply with the Volcker Rule. Results in our Insurance segment have continued to fluctuate over the period, largely due to the timing of new U.K. annuity contracts, claims costs, and actuarial adjustments, and have generally trended upwards since the fourth quarter of 2013. Insurance results in the fourth quarter of 2013 were impacted by an unfavourable charge resulting from new tax legislation in Canada as noted above. Investor & Treasury Services results have generally trended upwards due to benefits from our efficiency management activities and improved business performance, and have generally been stable over the past four quarters.

Revenue generally trended upwards over the period, mostly due to solid volume growth in our Canadian Banking businesses, and higher revenue from growth in average fee-based client assets in Wealth Management. Trading revenue has generally trended upwards since the third quarter of 2013, and was unfavourably impacted in the fourth quarter of 2014 by the implementation of FVA and the exiting of certain proprietary trading strategies as noted above. Net interest income has trended upwards over the period, largely due to solid volume growth across our Canadian Banking businesses.

Despite increased lending, strong asset quality has resulted in PCL remaining relatively stable over the period. The fourth quarter of 2014 included an additional provision in Personal & Commercial Banking related to our impaired residential mortgages portfolio in the Caribbean, while Wealth Management had provisions in the last two quarters of 2013 and the first quarter of 2014 related to a few accounts. PCL in Capital Markets has fluctuated over the period, with provisions in the first two quarters of 2013 and the last quarter of 2014 mainly related to a few accounts.

PBCAE has fluctuated quarterly as it includes the changes to the fair value of investments backing our policyholder liabilities, which is largely offset in revenue. PBCAE has also been impacted by volume growth in our Insurance businesses as well as actuarial liability adjustments and generally lower claims costs. PBCAE in the fourth quarter of 2013 included a charge as a result of new tax legislation in Canada as noted above.

While we continue to focus on efficiency management activities, non-interest expense has generally trended upwards over the period largely in support of business growth. The first quarter of 2014 was impacted by the loss related to the sale of RBC Jamaica and a provision in the Caribbean as noted above, while the third quarter of 2014 was impacted by foreign currency translation related to the closing of the sale of RBC Jamaica, also noted above.

Our effective income tax rate has fluctuated over the period, mostly due to varying levels of income being reported in jurisdictions with different tax rates, as well as fluctuating levels of income from tax-advantaged sources such as Canadian taxable corporate dividends. Our effective income tax rate has also been impacted by various favourable tax adjustments as noted above.

Results by geographic segment ⁽¹⁾

For geographic reporting, our segments are grouped into Canada, U.S. and Other International. Transactions are primarily recorded in the location that best reflects the risk due to negative changes in economic conditions and prospects for growth due to positive economic changes. The following table summarizes our financial results by geographic region.

Table 36

(Millions of Canadian dollars)	2014				2013 ⁽²⁾				2012 ⁽²⁾			
	Canada	U.S.	Other International	Total	Canada	U.S.	Other International	Total	Canada	U.S.	Other International	Total
Continuing operations												
Net interest income	\$ 11,121	\$ 1,896	\$ 1,099	\$ 14,116	\$ 10,956	\$ 1,603	\$ 690	\$ 13,249	\$ 10,391	\$ 1,308	\$ 740	\$ 12,439
Non-interest income	10,495	4,256	5,241	19,992	8,606	3,835	4,992	17,433	9,059	3,569	4,080	16,708
Total revenue	\$ 21,616	\$ 6,152	\$ 6,340	\$ 34,108	\$ 19,562	\$ 5,438	\$ 5,682	\$ 30,682	\$ 19,450	\$ 4,877	\$ 4,820	\$ 29,147
PCL	922	52	190	1,164	892	78	267	1,237	1,018	90	191	1,299
PBCAE	2,188	1	1,384	3,573	1,425	10	1,349	2,784	2,315	21	1,285	3,621
Non-interest expense	9,650	4,222	3,789	17,661	9,210	3,681	3,323	16,214	8,586	3,406	2,649	14,641
Income taxes	1,983	672	51	2,706	1,709	396	-	2,105	1,527	521	(20)	2,028
Net income from continuing operations	\$ 6,873	\$ 1,205	\$ 926	\$ 9,004	\$ 6,326	\$ 1,273	\$ 743	\$ 8,342	\$ 6,004	\$ 839	\$ 715	\$ 7,558
Net loss from discontinued operations	-	-	-	-	-	-	-	-	-	(51)	-	(51)
Net income	\$ 6,873	\$ 1,205	\$ 926	\$ 9,004	\$ 6,326	\$ 1,273	\$ 743	\$ 8,342	\$ 6,004	\$ 788	\$ 715	\$ 7,507

(1) For further details, refer to Note 30 of our 2014 Annual Consolidated Financial Statements.

(2) Amounts have been revised from those previously presented.

2014 vs. 2013

Net income in Canada was up \$547 million or 9% from last year, mainly due to solid volume growth across most of our businesses in Canadian Banking, and higher earnings from growth in average fee-based client assets resulting from capital appreciation and strong net sales in Wealth Management. Strong fee-based revenue growth primarily attributable to higher mutual fund distribution fees and card services revenue in Canadian Banking also contributed to the increase. These factors were partially offset by higher costs in support of business growth including higher staff and marketing costs, and the unfavourable impact of the implementation of the FVA. In addition, results last year benefited from net favourable tax adjustments. Our results last year were also unfavourably impacted by a charge of \$160 million (\$118 million after-tax) as a result of new tax legislation in Canada, which affects the policyholders' tax treatment of certain individual life insurance policies.

U.S. net income decreased \$68 million or 5% from last year, as last year benefited from favourable income tax adjustments, including \$214 million related to prior years. Strong growth in our lending portfolio, strong equity markets and our continued focus on equity origination and increased activity from client-focused strategies were partly offset by higher litigation provisions and related legal costs in Capital Markets.

Other International net income was up \$183 million or 25% from the previous year, largely due to lower PCL in Capital Markets, higher trading revenue in Europe, and higher lending in Capital Markets. These factors were partially offset by a loss of \$100 million (before- and after-tax) related to the sale of RBC Jamaica, and a provision of \$40 million (\$32 million after-tax) related to post-employment benefits and restructuring charges in the Caribbean. In addition, last year was unfavourably impacted by a restructuring charge of \$44 million related to the integration of Investor Services, primarily in Europe.

2013 vs. 2012

Net income in Canada was up \$322 million or 5% compared to 2012, mainly due to solid volume growth across all businesses in Canadian Banking. Higher earnings from growth in average fee-based client assets in Wealth Management, strong growth in our corporate and investment banking businesses driven by higher lending, M&A and loan syndication activity, improved credit quality in our Canadian Banking portfolio, and the contribution of our acquisition of Ally Canada also contributed to the increase. These factors were partially offset by spread compression and a charge of \$160 million (\$118 million after-tax) in Insurance as a result of new tax legislation in Canada. In addition, the 2012 results were favourably impacted by a settlement of several tax matters with the CRA which resulted in the release of \$128 million of tax uncertainty provisions and interest income of \$72 million (\$53 million after-tax) and a favourable adjustment related to a change in estimate of mortgage prepayment interest of \$125 million (\$92 million after-tax). Our results in 2012 were also unfavourably impacted by an impairment loss related to the acquisition of the remaining 50% stake of RBC Dexia of which \$105 million (before- and after-tax) was recorded in our Canadian operations.

U.S. net income increased \$485 million or 62% compared to 2012, largely due to favourable income tax adjustments of \$214 million related to prior years. Strong growth in our corporate and investment banking businesses mainly driven by higher loan syndication and higher lending, and higher earnings from growth in average fee-based client assets and higher transaction volumes in Wealth Management also contributed to the increase. These factors were partially offset by higher variable compensation in Wealth Management and Capital Markets.

Other International net income was up \$28 million or 4% compared to 2012, largely due to strong growth in our corporate and investment banking businesses. Improved business performance in Investor Services including higher revenue and continuing benefits from our efficiency management activities, lower variable compensation in Capital Markets, and higher earnings from growth in average fee-based client assets and higher transaction volumes in Wealth Management also contributed to the increase. In addition, the 2012 results were unfavourably impacted by the impairment loss related to our acquisition of RBC Dexia as noted above of which \$63 million (before- and after-tax) was recorded in our Other International operations, and our proportionate share of the loss on the securities exchange and trading losses recorded by RBC Dexia. These factors were partially offset by lower trading revenue largely in Europe, higher PCL in Wealth Management and Capital Markets, and a provision related to post-employment benefits and restructuring charges in the Caribbean of \$40 million (\$31 million after-tax).

Financial condition

Condensed balance sheets ⁽¹⁾

Table 37

As at October 31 (Millions of Canadian dollars)	2014	2013	2012
Assets			
Cash and due from banks	\$ 17,421	\$ 15,550	\$ 12,428
Interest-bearing deposits with banks	8,399	9,039	10,246
Securities	199,148	182,710	161,602
Assets purchased under reverse repurchase agreements and securities borrowed	135,580	117,517	112,257
Loans			
Retail	334,987	320,627	300,288
Wholesale	102,236	90,182	79,949
Allowance for loan losses	(1,994)	(1,959)	(1,996)
Segregated fund net assets	675	513	383
Other – Derivatives	87,402	74,822	91,293
– Other	56,696	50,744	57,504
Total assets	\$ 940,550	\$ 859,745	\$ 823,954
Liabilities			
Deposits	\$ 614,100	\$ 563,079	\$ 512,244
Segregated fund liabilities	675	513	383
Other – Derivatives	88,982	76,745	96,761
– Other	174,431	162,505	162,030
Subordinated debentures	7,859	7,443	7,615
Total liabilities	886,047	810,285	779,033
Equity attributable to shareholders	52,690	47,665	43,160
Non-controlling interests	1,813	1,795	1,761
Total equity	54,503	49,460	44,921
Total liabilities and equity	\$ 940,550	\$ 859,745	\$ 823,954

(1) Foreign currency-denominated assets and liabilities are translated to Canadian dollars.

Our consolidated balance sheet was impacted by foreign exchange translation which increased our total assets and our total liabilities and equity by approximately \$21 billion compared to last year due to the weaker Canadian dollar.

2014 vs. 2013

Total assets were up \$81 billion or 9% from last year.

Interest-bearing deposits with banks decreased by \$1 billion or 7%, largely reflecting lower deposits with central banks.

Securities were up \$16 billion or 9% compared to last year, primarily due to the impact of foreign exchange translation, increased equity trading positions in support of business activity, and an increase in corporate debt securities largely reflecting our management of liquidity and funding risk.

Assets purchased under reverse repurchase agreements (reverse repos) and securities borrowed increased \$18 billion or 15%, mainly attributable to increased client activity, and the impact of foreign exchange translation.

Loans were up \$26 billion or 6%, predominantly due to volume growth in residential mortgages and growth in wholesale loans. The impact of foreign exchange translation also contributed to the increase.

Derivative assets were up \$13 billion or 17%, mainly attributable to increased fair values on interest rate swaps, cross currency interest rate swaps, foreign exchange forward contracts, and equity contracts, partially offset by increased financial netting.

Other assets were up \$6 billion or 12%, partially reflecting an increase in customers' liability under acceptances and the impact of foreign exchange translation.

Total liabilities were up \$76 billion or 9% from last year.

Deposits increased \$51 billion or 9%, mainly reflecting higher business deposits, largely due to increased client activity and our issuances of fixed term notes and covered bonds to satisfy funding requirements. The impact of foreign exchange translation and demand for our high-yield savings accounts and other product offerings in our retail business also contributed to the increase.

Derivative liabilities were up \$12 billion or 16%, primarily attributable to increased fair values on interest rate swaps, cross currency interest rate swaps, foreign exchange forward contracts, and equity contracts, partially offset by increased financial netting.

Other liabilities increased \$12 billion or 7%, mainly resulting from the impact of foreign exchange translation, an increase in bankers' acceptances due to increased client activity, higher cash collateral requirements, and higher obligations related to securities sold short.

Total equity increased \$5 billion or 10%, largely reflecting earnings, net of dividends.

Off-balance sheet arrangements

In the normal course of business, we engage in a variety of financial transactions that, for accounting purposes, are not recorded on our Consolidated Balance Sheets. Off-balance sheet transactions are generally undertaken for risk, capital and funding management purposes which benefit us and our clients. These include transactions with structured entities and may also include the issuance of guarantees. These transactions give rise to, among other risks, varying degrees of market, credit, liquidity and funding risk, which are discussed in the Risk management section.

We use structured entities to securitize our financial assets as well as assist our clients in securitizing their financial assets. These entities are not operating entities, typically have no employees, and may or may not be recorded on our Consolidated Balance Sheets.

Securizations of our financial assets

We periodically securitize our credit card receivables, residential and commercial mortgage loans and bond participation certificates primarily to diversify our funding sources, enhance our liquidity position and for capital purposes. We also securitize residential and commercial mortgage loans for sales and trading activities. Securitization can be used as a cost-effective fund raising technique compared to the relative cost of issuing unsecured wholesale debt.

The majority of our securitization activities are recorded on our Consolidated Balance Sheets. We securitize our credit card receivables, on a revolving basis, through a consolidated structured entity. We securitize single and multiple-family residential mortgages through the National Housing Act Mortgage-Backed Securities (NHA MBS) program, which are not derecognized from our Consolidated Balance Sheets. For details of these activities, refer to Note 6 and Note 7 of our 2014 Annual Consolidated Financial Statements.

We periodically securitize residential mortgage loans for the Canadian social housing program through the NHA MBS program which are derecognized from our Consolidated Balance Sheets when sold to third party investors. During 2014, we securitized \$158 million of residential mortgage loans for the Canadian social housing program (2013 – \$nil).

We also periodically securitize commercial mortgages by selling them in collateral pools, which meet certain diversification, leverage and debt coverage criteria, to structured entities, one of which is sponsored by us. Securitized commercial mortgage loans are derecognized from our Consolidated Balance Sheets as we have transferred substantially all of the risk and rewards of ownership of the securitized assets. Our continuing involvement with the transferred assets is limited to servicing the underlying commercial mortgages sold to our sponsored structured entity. As at October 31, 2014, there were \$1.3 billion of commercial mortgages outstanding related to these securitization activities (October 31, 2013 – \$1.3 billion). During 2014, we securitized \$173 million of commercial mortgages which were sold to our sponsored entity (2013 – \$nil).

In prior years, we participated in bond securitization activities where we purchased government, government related and corporate bonds and repackaged those bonds in participation certificates, which were sold to third party investors. Securitized bond participation certificates are derecognized from our Consolidated Balance Sheets as we have transferred substantially all of the risk and rewards of ownership of the securitized assets. Our continuing involvement with the transferred assets is limited to servicing the underlying bonds. As at October 31, 2014, there were \$482 million of bond participation certificates outstanding related to these prior period securitization activities (October 31, 2013 – \$624 million). We did not securitize bond participation certifications during 2014 or 2013.

Involvement with unconsolidated structured entities

In the normal course of business, we engage in a variety of financial transactions with structured entities to support our customers' financing and investing needs, including securitization of client financial assets, creation of investment products, and other types of structured financing.

We have the ability to use credit mitigation tools such as third party guarantees, credit default swaps, and collateral to mitigate risks assumed through securitization and re-securitization exposures. The process in place to monitor the credit quality of our securitization and re-securitization exposures involves, among other things, reviewing the performance data of the underlying assets. We affirm our ratings each quarter and formally confirm or assign a new rating at least annually. For further details on our activities to manage risks, refer to the Risk management section.

Below is a description of our involvement in certain significant unconsolidated structured entities. For a complete discussion of our interests in consolidated and unconsolidated structured entities, refer to Note 7 to our 2014 Annual Consolidated Financial Statements.

RBC-administered multi-seller conduits

We administer multi-seller conduits which are used primarily for the securitization of our clients' financial assets. We are involved in these conduit markets because our clients value these transactions. Our clients primarily use multi-seller conduits to diversify their financing sources and to reduce funding costs by leveraging the value of high-quality collateral. The conduits offer us a favourable revenue stream, risk-adjusted return and cross-selling opportunities.

We provide services such as transaction structuring, administration, backstop liquidity facilities and partial credit enhancements to the multi-seller conduits. Fee revenue for all such services amounted to \$168 million during the year (2013 – \$153 million). We do not maintain any ownership or retained interests in these multi-seller conduits and have no rights to, or control of, their assets.

Our total commitment to the conduits in the form of backstop liquidity and credit enhancement facilities is shown below. The total committed amount of these facilities exceeds the total amount of the maximum assets that may have to be purchased by the conduits under the purchase agreements. As a result, the maximum exposure to loss attributable to our backstop liquidity and credit enhancement facilities is less than the total committed amounts of these facilities.

Liquidity and credit enhancement facilities

Table 38

	2014				2013			
	Notional of committed amounts (1)	Allocable notional amounts	Outstanding loans	Maximum exposure to loss (3)	Notional of committed amounts (1)	Allocable notional amounts	Outstanding loans (2)	Maximum exposure to loss (3)
As at October 31 (Millions of Canadian dollars)								
Backstop liquidity facilities	\$ 31,019	\$ 27,340	\$ 864	\$ 28,204	\$ 31,675	\$ 27,875	\$ 896	\$ 28,771
Credit enhancement facilities	2,928	2,815	–	2,815	2,889	2,785	–	2,785
Total	\$ 33,947	\$ 30,155	\$ 864	\$ 31,019	\$ 34,564	\$ 30,660	\$ 896	\$ 31,556

(1) Based on total committed financing limit.

(2) Net of allowance for loan losses and write-offs.

(3) Not presented in the table above are derivative assets with a fair value of \$nil (2013 – \$44 million) which are a component of our total maximum exposure to loss from our interests in the multi-seller conduits. Refer to Note 7 of our 2014 Annual Consolidated Financial Statements for more details.

As at October 31, 2014, the notional amount of backstop liquidity facilities we provide decreased by \$656 million or 2.1% from last year. Total loans extended to the multi-seller conduits under the backstop liquidity facilities decreased by \$32 million from last year primarily due to principal repayments. The partial credit enhancement facilities we provide increased by \$39 million from last year. The decrease in the amount of backstop liquidity facilities provided to the multi-seller conduits compared to last year primarily reflects a decrease in the outstanding securitized assets of the multi-seller conduits. The increase in the amount of credit enhancement facilities provided to the multi-seller conduits compared to last year primarily reflects a fluctuation in exchange rates.

As at October 31 (Millions)	2014			2013		
	(US\$)	(C\$)	Total (C\$)	(US\$)	(C\$)	Total (C\$)
Outstanding securitized assets						
Credit cards	\$ 5,768	\$ 510	\$ 7,011	\$ 6,096	\$ 510	\$ 6,866
Auto loans and leases	8,154	1,793	10,983	8,643	2,252	11,264
Student loans	2,536	–	2,858	3,374	–	3,518
Trade receivables	2,094	112	2,472	2,688	56	2,859
Asset-backed securities	767	–	864	859	–	896
Equipment receivables	1,301	–	1,466	1,649	–	1,720
Electricity market receivables	–	–	–	–	173	173
Dealer floor plan receivables	1,053	771	1,958	765	740	1,538
Fleet finance receivables	436	377	869	313	265	592
Insurance premiums	127	–	144	87	–	90
Corporate loan receivables	–	–	–	75	–	78
Residential mortgages	–	1,275	1,275	–	1,530	1,530
Transportation finance	857	153	1,119	415	–	432
Total	\$ 23,093	\$ 4,991	\$ 31,019	\$ 24,964	\$ 5,526	\$ 31,556
Canadian equivalent	\$ 26,028	\$ 4,991	\$ 31,019	\$ 26,030	\$ 5,526	\$ 31,556

Our overall exposure decreased 1.7% compared to last year reflecting a decrease in the outstanding securitized assets of the multi-seller conduits. Correspondingly, total assets of the multi-seller conduits decreased by \$647 million or 2.1% over last year, primarily due to decrease in the Student loans, Trade receivables, Auto loans and leases, Residential mortgages, Equipment and Electricity market receivables asset classes, which was partially offset by increases in the Transportation finance, Dealer floor plan and Fleet finance receivables and Credit cards asset classes. 100% of multi-seller conduits assets were internally rated A or above, compared to 99.5% last year. All transactions funded by the unconsolidated multi-seller conduits are internally rated using a rating system which is largely consistent with that of the external rating agencies.

Multiple independent debt rating agencies review all of the transactions in the multi-seller conduits. Transactions financed in the U.S. multi-seller conduits are reviewed by Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch). Transactions in the Canadian multi-seller conduits are also reviewed by Dominion Bond Rating Services (DBRS). Each applicable rating agency also reviews ongoing transaction performance on a monthly basis and may publish reports detailing portfolio and program information related to the conduits.

As at October 31, 2014, the total asset-backed commercial paper (ABCP) issued by the conduits amounted to \$19.8 billion, an increase of \$1.0 billion or 5.6% from last year. The increase in the amount of ABCP issued by the multi-seller conduits compared to last year is primarily due to exchange rate fluctuations. The rating agencies that rate the ABCP rated 73% (October 31, 2013 – 75%) of the total amount issued within the top ratings category and the remaining amount in the second highest ratings category.

We sometimes purchase ABCP issued by the multi-seller conduits in our capacity as a placement agent in order to facilitate overall program liquidity. As at October 31, 2014, the fair value of our inventory was \$42 million, an increase of \$28 million from last year. The fluctuations in inventory held reflect normal trading activity. This inventory is classified as Securities – Trading on our Consolidated Balance Sheets.

Structured finance

We invest in ARS of trusts which fund their long-term investments in student loans by issuing short-term senior and subordinated notes. Our maximum exposure to loss in these ARS trusts as at October 31, 2014 was \$913 million (2013 – \$870 million). The increase in our maximum exposure to loss is primarily related to exchange rate differences. As at October 31, 2014, approximately 89.8% of these investments were AAA rated. Interest income from the ARS investments, which is reported in Net-interest income was \$7.2 million during the year (2013 – \$12.6 million).

We also provide liquidity facilities to certain municipal bond Tender Option Bond (TOB) trusts in which we have an interest but do not consolidate because the residual certificates issued by the TOB trusts are held by third parties. As at October 31, 2014, our maximum exposure to loss from these unconsolidated municipal bond TOB trusts was \$749 million (2013 – \$572 million). The increase in our maximum exposure to loss relative to last year is primarily related to new TOB trusts and an increase in our TOB funding limits. Fee revenue from provision of liquidity facilities to these entities reported in Non-interest income was \$2.8 million during the year (2013 – \$3.6 million).

During this fiscal year, we entered the collateralized loan obligation market as a senior warehouse lender and structuring and placement agent. We now provide senior warehouse financing to discrete unaffiliated structured entities that are established by third parties to acquire loans and issue a term collateralized loan obligation transaction. A portion of the proceeds from the sale of the term collateralized loan obligations certificates is used to fully repay the senior warehouse financing that we provide. As at October 31, 2014 all such loans made during the year have been repaid.

Investment funds

We enter into fee-based equity derivative transactions with third parties including mutual funds, unit investment trusts and other investment funds. These transactions provide their investors with the desired exposure to the reference funds, and we economically hedge our exposure from these derivatives by investing in those third party managed reference funds. Our maximum exposure as at October 31, 2014, which is primarily related to our investments in such reference funds, was \$3.4 billion (October 31, 2013 – \$2.7 billion). The increase in our maximum exposure compared to last year is primarily due to exchange rate differences and positive performance of the reference funds.

Beginning in the first quarter of 2013, we also provide liquidity facilities to certain third party investment funds. The funds issue unsecured variable-rate preferred shares and invest in portfolios of tax exempt bonds. As at October 31, 2014, our maximum exposure to these funds was \$641 million (October 31, 2013 – \$594 million). The increase in our maximum exposure compared to last year is primarily due to exchange rate differences.

Third-party securitization vehicles

We hold interests in certain unconsolidated third-party securitization vehicles, which are structured entities. We, as well as other financial institutions, are obligated to provide funding to these entities up to our maximum commitment level and are exposed to credit losses on the underlying assets after various credit enhancements. As at October 31, 2014, our maximum exposure to loss in these entities was \$2.4 billion (October 31, 2013 – \$2.2 billion). The increase in our maximum exposure compared to last year reflects additional securitized assets and exchange rate fluctuations. Interest and non-interest income earned in respect of these investments was \$20 million (2013 – \$26 million).

Guarantees, retail and commercial commitments

We provide guarantees and commitments to our clients that expose us to liquidity and funding risks. Our maximum potential amount of future payments in relation to our commitments and guarantee products as at October 31, 2014 amounted to \$258 billion compared to \$232 billion last year. The increase compared to last year relates primarily to business growth and the impact of foreign currency translation in other commitments. Refer to Liquidity and funding risk and Note 26 to our 2014 Annual Consolidated Financial Statements for details regarding our guarantees and commitments.

Risk management

Overview

The ability to manage risk well is a core competency at RBC, and is supported by strong risk conduct and an effective risk management approach. RBC defines risk as the potential for loss or an undesirable outcome with respect to volatility of actual earnings in relation to expected earnings, capital adequacy or liquidity. The organization design and governance processes of Group Risk Management (GRM) assures independence from the businesses it supports. Our ability to manage these risks is supported by both strong risk conduct and an effective risk management approach.

We manage our risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed and remain within our Risk Appetite, which is collectively managed throughout RBC, through adherence to our Enterprise Risk Appetite Framework. Our major risk categories include credit, market, liquidity and funding, insurance, regulatory compliance, operational, strategic, reputation, legal and regulatory environment, competitive, and systemic risk. In order to avoid excessive concentration of risks, we strive to diversify our business lines, products and industries.

Mission statement

Build shareholder value through leadership in the strategic management of risk.

Objectives

The key objectives of GRM are to:

- Provide independent and objective oversight of the management of significant risks arising from the bank's businesses and operations;
- Maintain an effective enterprise-wide risk management process through working in partnership with all areas of RBC;
- Ensure the continuous improvement in risk management processes, tools and practices; and
- Promote strong risk conduct.

Risk priorities:

- Risk Appetite – Articulates what risks we are prepared to undertake
- Risk Conduct – Defines how we should operate;
- Risk Governance and Controls – Focus on the maintenance of effective enterprise-wide risk management processes
- Support enterprise, segment and business strategies by maintaining strong partnerships, balancing risk and reward, and striving to achieve a shared responsibility for risk compliance within our businesses
- Risk Infrastructure (People, operating plan and systems) – Deliver efficient and scalable risk and compliance infrastructure comprised of highly competent professionals supported by appropriate training/development, tools and technology; and
- Managing regulatory environment and relationships – Comply with regulatory requirements and expectations, and maintaining strong regulatory standards.

Accomplishments:

- Our risk profile remained within the Risk Appetite throughout the year.
- Maintained strong credit quality ratios.
- Stress testing capabilities significantly enhanced.
- Operational risk events impacting earnings remained low.
- Ensured sound management of regulatory compliance risk.

Top and emerging risks

Our view of risks is not static. An important component of our enterprise risk management approach is to ensure that top risks which are evolving or emerging risks are appropriately identified, managed, and incorporated into existing enterprise risk management assessment, measurement, monitoring and escalation processes.

These practices ensure management is forward-looking in its assessment of risks to the organization. Identification of top and emerging risks occurs in the course of businesses developing and pursuing approved strategies and as part of the execution of risk oversight responsibilities by GRM, Finance, Corporate Treasury, Global Compliance and other control functions.

Risk oversight activities which can lead to identification of new, evolving or emerging risks include control mechanisms (e.g. approval of new products, transactions, projects or initiatives), business strategy development, stress testing, portfolio level measurement, monitoring and reporting activities, and the ongoing assessment of industry and regulatory developments.

Details of the top and emerging risks we are facing are discussed below.

Anti-Money Laundering (AML)

We are subject to a highly complex and dynamic set of anti-money laundering, anti-terrorist financing, and anti-bribery and anti-corruption (collectively, AML) laws, regulations and expectations across the multiple jurisdictions in which we operate. These requirements are of critical importance to members of the international financial community, law enforcement agencies and regulatory bodies. The regulatory landscape for AML practices remains in a state of rapid change in response to globalization, proliferation of technologies to conduct financial transactions, and new and changing money laundering and terrorist financing strategies. The scope of AML activities continues to expand with evolving criminal activities, such as tax evasion, human trafficking, bribery, and corruption. Money laundering, terrorist financing, and, increasingly, bribery and corruption pose significant potential risks for RBC. Our reputation is at risk with regulators, clients and other stakeholders in the event of AML related incidence, particularly in light of the current regulatory environment. The regulatory tolerance for major AML Program failures is low as demonstrated by recent penalties and enforcement actions.

We continuously enhance our transaction monitoring, client identification and client risk assessment processes and practices to prevent or detect activities that might pose risk to our systems and networks. Internally, annual AML training is mandatory for all applicable employees including senior management and the Board of Directors.

Growth in wholesale credit

Our wholesale loan growth has been strong in recent years, largely driven by Capital Markets. Loan growth in the U.S. has been strong given our strategy of expanding and strengthening client relationships in that market along with strong demand. Growth has been across various sectors with strong growth in commercial real estate and leveraged financing. To manage risks associated with this increase we focus on diversification, driven by limits on single name, country and industry exposures across all businesses, portfolios and transactions. We continue to adhere to strict lending standards as we grow our wholesale credit portfolio. We also stress test our portfolio to assist in evaluating the potential impact of severe economic conditions.

High levels of Canadian household debt

Canadian household debt remains elevated as persistently low interest rates continue to fuel strong home sales, supporting home prices and limiting moderation in mortgage credit growth. The risks surrounding elevated credit balances largely stem from households' continued ability to manage existing debt repayments when interest rates rise and a greater share of disposable income is needed to make payments. Additional risk stems from the potential for high household debt to amplify the impact of an external shock to the Canadian economy. The combination of increasing unemployment, rising interest rates, and a downturn in real estate markets would pose a risk to the credit quality of our retail lending portfolio. We actively manage our lending portfolios and stress test them against various scenarios. Our stress testing shows that the vast majority of our mortgage clients have sufficient capacity to absorb interest rate increases in the ranges currently forecasted. For further discussion relating to our retail portfolio, refer to the Credit risk section.

Cybersecurity

The bank leverages advancements in technology to support our business model and enhance the experience of our clients on a global basis. As a result, we are exposed to risks related to cybersecurity and the increasing sophistication of cyber-attacks in the marketplace. Attacks in the industry are often focused on compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise our confidential information as well as that of our clients and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. We are committed to protecting our bank through ongoing and growing investments in our cyber defense technologies, rigorous processes and controls, and investments in our team of cyber defense professionals. Our investments are positioned to manage the risks we face today and position the bank for the evolving threat landscape.

Enterprise risk management

Our Enterprise Risk Management Framework provides an overview of our enterprise-wide programs for identifying, assessing, measuring, controlling, monitoring and reporting on the significant risks that face the organization.

Risk conduct

Our risk conduct is a shared set of behavioural norms that sustain our core values, protect our clients, safeguard our shareholders' value, and support market integrity and stability from undue risk. Risk conduct defines how we should operate, in order to instill the mindset of undertaking risk and "doing what's right" in a manner that is consistent with our values and Code of Conduct.

There are four key components that we rely on to ensure strong and effective risk conduct at RBC:

- Tone at the top and middle management;
- Accountability, which is shared across all businesses and employees;
- Incentives, which are closely linked to our Risk Profile relative to our Risk Appetite, and to our financial, strategic, risk and operational goals; and
- Effective challenge, which promotes constructive discussion of different points of view on the level of risk undertaken.

We also have a strong ethical culture of integrity and compliance grounded in our Code of Conduct. The Code of Conduct broadly addresses a variety of ethical and legal concerns that our employees face on a daily basis. Our Code of Conduct is supported by a number of global and regional compliance frameworks, policies, training programs, online tools, job aids, new employee orientation materials, and the direction of senior management.

Risk Appetite

Our Risk Appetite is the amount and type of risk we are able and willing to accept in the pursuit of our business objectives. Our approach to articulating Risk Appetite is focused around three key concepts:

- The amount of “Earnings at Risk” that is determined to be acceptable over an economic cycle, using an expected loss lens;
- The amount of “Capital at Risk” that is determined to be acceptable under stress, using an unexpected loss lens; and
- Ensuring adequate liquidity throughout times of stress.

Our Risk Appetite Framework has four major components as follows:

1. Define our Risk Capacity by identifying regulatory constraints that restrict our ability to accept risk.
2. Establish and regularly confirm our Risk Appetite, comprised of Drivers that are the business objectives which include risks we must accept to generate desired financial returns, and Self-Imposed Constraints that limit or otherwise influence the amount of risk undertaken. Our Self-Imposed Constraints include:
 - Maintaining stability of earnings;
 - Avoiding excessive concentrations of risk;
 - Maintaining low exposure to stress events;
 - Ensuring sound management of regulatory compliance risk and operational risk;
 - Ensuring sound management of liquidity and funding risk;
 - Ensuring capital adequacy by maintaining capital ratios in excess of rating agency and regulatory expectations;
 - Maintaining strong credit ratings; and
 - Maintaining a Risk Profile that is in the top half of our peer group.
3. Set Risk Limits and Tolerances to ensure that risk-taking activities are within Risk Appetite.
4. Regularly measure and evaluate our Risk Profile, representing the risks we are exposed to, relative to our Risk Appetite, and ensure appropriate action is taken prior to Risk Profile surpassing Risk Appetite.

The Enterprise Risk Appetite Framework is structured in such a way that it can be applied at the enterprise, business segment, business unit, and legal entity levels. Risk Appetite is integrated into our business strategies and capital plan. We also ensure that the business strategy aligns with the enterprise and business segment level Risk Appetite.

One aspect of our Enterprise Risk Appetite Framework is the concept of Risk Posture which is used within the enterprise and business segment strategic planning processes to identify potential pressure points on our Risk Profile or Risk Appetite that can result from a proposed strategy. Risk Posture is an expression of the impact of strategic priorities on our Risk Profile over a one year timeframe, using a scale of conservative, neutral or expansionary.

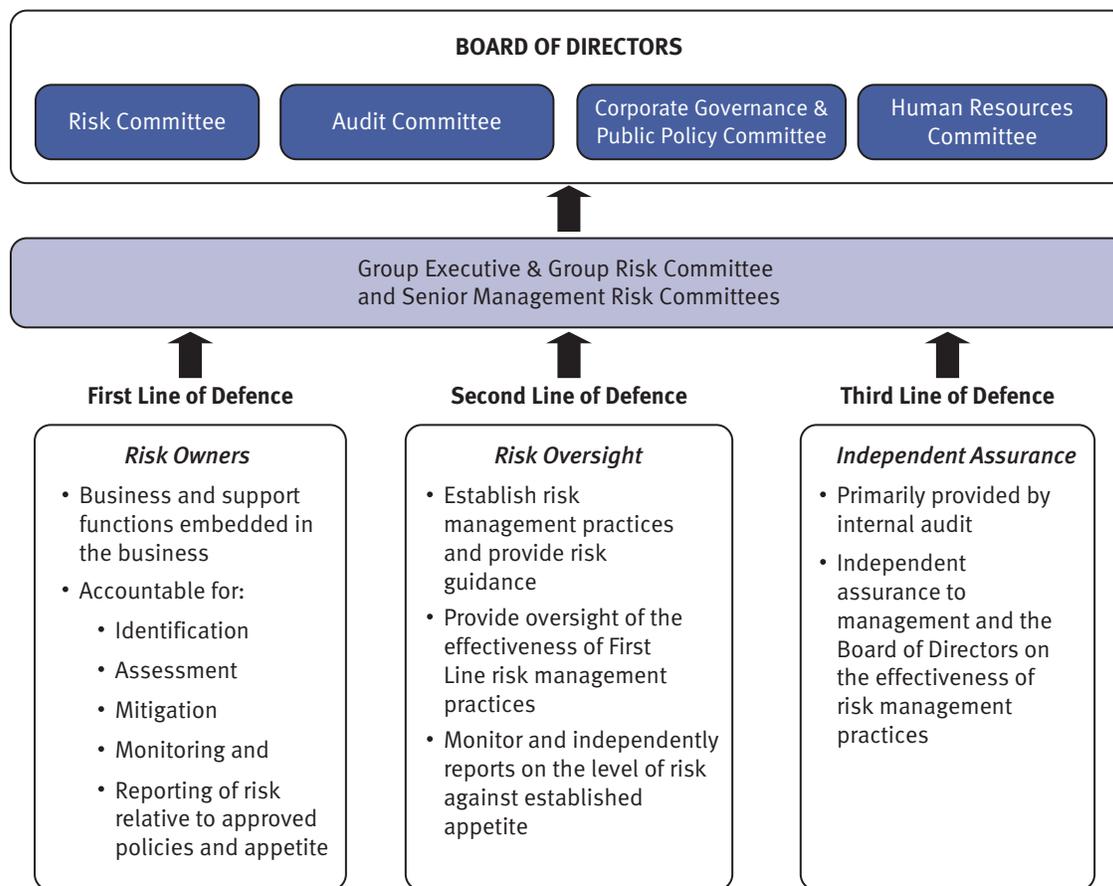
Risk management principles

The following principles guide our enterprise-wide management of risk:

1. **Effective balancing of risk and reward** by aligning business strategy with Risk Appetite, avoiding excessive concentration of risk through diversification, pricing appropriately for risk, mitigating risk through preventive and detective controls and transferring risk to third parties.
2. **Shared responsibility for risk management** as business segments are responsible for active management of their risks, with direction and oversight provided by GRM and other corporate functions groups.
3. **Business decisions are based on an understanding of risk** as we perform rigorous assessment of risks in relationships, products, transactions and other business activities.
4. **Avoid activities that are not consistent with our values, Code of Conduct or policies**, which contributes to the protection of our reputation.
5. **Proper focus on clients reduces our risks** by knowing our clients and ensuring that all products and transactions are suitable for, and understood by our clients.
6. **Use of judgment and common sense** in order to manage risk throughout the organization.

Risk governance

The Board of Directors and senior management utilize the Three Lines of Defence Governance Model to ensure that risks in achieving our strategic objectives are appropriately and adequately managed.



The Board of Directors establishes the tone at the top, approves our Risk Appetite, provides oversight and carries out its risk management mandate primarily through its committees which include the Risk Committee, the Audit Committee, the Corporate Governance & Public Policy Committee and the Human Resources Committee.

The purpose of the Risk Committee is to oversee our risk management program. The Risk Committee’s oversight role is designed to ensure that the risk management function is adequately independent from the businesses whose activities it reviews, and that the policies, procedures and controls used by management are sufficient to keep risks within our Risk Appetite.

The Audit Committee also has a risk oversight role through its responsibilities to review our internal controls and the control environment, and to ensure that policies related to capital management and adequacy are in place and effective. The Audit Committee regularly reviews reporting on legal and regulatory compliance risks including significant litigation issues and regulatory compliance matters.

In addition, the following board committees have specific reputation risk oversight responsibilities:

- Corporate Governance & Public Policy Committee – Monitors the effectiveness of our corporate governance, reviews policies and programs, reviews our efforts to understand and meet changing public values and expectations, and identifies, assesses and advises management on public affairs issues related to our image and reputation.
- Human Resources Committee – This committee, along with the Risk Committee, is jointly responsible for our Code of Conduct, and actively oversees the design and operation of our compensation system.

The Group Executive (GE) is comprised of our senior management team and is led by the President & Chief Executive Officer (CEO) and includes the Chief Risk Officer (CRO) and Chief Administrative Officer & Chief Financial Officer (CAO & CFO). The GE is responsible for our strategy and its execution and establishing the “tone at the top”. The GE actively shapes and recommends our Risk Appetite for approval by the Board of Directors. The GE’s risk oversight role is executed primarily through the mandate of the Group Risk Committee (GRC). The GRC with the assistance of its supporting senior management risk committees is responsible for ensuring that our overall Risk Profile is consistent with our strategic objectives and remains within our Risk Appetite and there are ongoing, appropriate and effective risk management processes.

Employees at all levels of the organization are responsible for managing the day-to-day risks that arise in the context of their mandate.

The **First Line of Defence** is provided by the employees across the businesses as well as support functions embedded in the businesses that are responsible for providing products and services, and for the execution of activities. The First Line of Defence has ownership and accountability for:

- Risk identification, assessment, mitigation, monitoring and reporting in accordance with established enterprise risk policies and Risk Appetite;
- Ensuring appropriate and adequate capabilities to manage risks relevant to the businesses; and
- Alignment of business and operational strategies with our strong Risk Conduct and Risk Appetite.

The **Second Line of Defence** is provided by areas with independent oversight accountabilities residing in functions such as GRM, Global Compliance, and other areas within our Control and Group Functions (such as Corporate Treasury, Law, Human Resources, Finance, Technology and Operations, Corporate Taxation and Enterprise Strategy Group). The Second Line of Defence:

- Establishes the enterprise level risk management frameworks and policies, and provides risk guidance;
- Provides oversight of the effectiveness of first line risk management practices; and
- Monitors and independently reports on the level of risk relative to established appetite.

GRM, under the direction of the CRO, is responsible for the oversight of a number of significant risks we face. GRM also provides oversight of Strategic Risk through the CRO and the Group Executive, who have responsibility for ensuring business Risk Appetite and strategies align with Enterprise Risk Appetite. Global Compliance is responsible for our policies and processes designed to mitigate and manage regulatory compliance risk. In addition to GRM and Global Compliance, other Control and Group Functions have designated roles supporting our enterprise-wide risk management program.

The **Third Line of Defence** is primarily provided by internal audit, and provides independent assurance to senior management and the Board of Directors on the effectiveness of risk management policies, processes and practices in all areas of our organization.

Risk measurement

Our ability to measure risks is a key component of our enterprise-wide risk and capital management processes. Certain measurement methodologies are common to a number of risk types, while others only apply to a single risk type. While quantitative risk measurement is important, we also place reliance on qualitative factors. Our measurement models and techniques are continually subject to independent assessment for appropriateness and reliability. For those risk types that are difficult to quantify, we place greater emphasis on qualitative risk factors and assessment of activities to gauge the overall level of risk to ensure that they are within our Risk Appetite.

Quantifying expected loss

Expected loss is used to assess earnings at risk and is a representation of losses that are statistically expected to occur in the normal course of business in a given period of time. For credit risk, the key parameters used to measure our exposure to expected loss are probability of default, loss given default, and exposure at default. For market risk, a statistical technique known as Value-at-Risk (VaR) is used to measure losses under normal market conditions.

Quantifying unexpected loss

Unexpected loss is used to assess capital at risk and is a statistical estimate of the amount by which actual losses can exceed expected loss over a specified time horizon, measured at a specified level of confidence. We hold capital to withstand these unexpected losses, should they occur. For further details, refer to the Capital management section.

Stress testing

Stress testing examines potential impacts arising from exceptional but plausible adverse events, and is an important component of our risk management framework. Stress testing results are used in:

- Monitoring our Risk Profile relative to Risk Appetite in terms of earnings and capital at risk;
- Setting limits;
- Identifying key risks to and potential shifts in our capital levels and financial position;
- Enhancing our understanding of available mitigating actions in response to adverse events; and
- Assessing the adequacy of our target capital levels.

Our enterprise-wide stress tests evaluate key balance sheet, income statement, leverage, and capital impacts arising from risk exposures and changes in earnings. The results are used by our senior management risk committees, the GRC, and the Board of Directors to understand our performance drivers under stress, and review stressed capital and leverage ratios against regulatory thresholds and internal targets. The results are also incorporated into our Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan analyses.

We annually evaluate a number of enterprise-wide stress scenarios over a multi-year horizon, featuring a range of severities. Our Board of Directors reviews the recommended scenarios, and GRM leads the scenario assessment process. Results from across the organization are integrated to develop an enterprise-wide view of the impacts, with input from subject matter experts in GRM, Corporate Treasury, Finance, and Economics. Recent scenarios evaluated include global recessions, local Canadian recessions, energy price shocks, and natural catastrophe events. Our 2014 enterprise-wide stress test results are within our Board approved Risk Appetite.

Ongoing stress testing and scenario analyses within specific risk types such as market risk, liquidity risk, structural interest rate risk, retail and wholesale credit risk, operational risk, and insurance risk supplement and support our enterprise-wide analyses. Results from these risk-specific programs are used in a variety of decision-making processes including risk limit setting, portfolio composition evaluation, and business strategy implementation. For further details on some of these programs, refer to the Market risk and Liquidity and funding risk sections.

In addition to ongoing enterprise-wide and risk specific stress testing programs, we also utilize ad-hoc and reverse stress testing to deepen our knowledge of the risks we face. Ad-hoc stress tests are one-off analyses used to investigate developing conditions or stress a particular portfolio in more depth. Reverse stress tests, starting with a severe outcome and aiming to identify scenarios that might lead to that outcome, are used in risk identification and understanding of risk/return boundaries.

We also participate in a number of regulator-required stress test exercises at both the consolidated and subsidiary levels.

Back-testing

We back-test credit risk parameters (i.e. Probability of default, Loss given default, and Usage given default) on a quarterly basis to ensure the parameters remain appropriate for use in regulatory and economic capital calculations. Back-testing is performed by comparing the realized values to the parameter estimates that were in use at the beginning of the period.

Validation of measurement models

We widely use models for many purposes, including valuation of financial products and the measurement and management of different types of risk. Models are subject to validation by qualified employees that are sufficiently independent of the model design and development, or by approved external parties. Model validation is a comprehensive independent review of a model that evaluates the applicability of the model's logic, its assumptions and theoretical underpinnings, the appropriateness of input data sources, the interpretation of the model results, and the strategic use of the model outputs. By reviewing and evaluating a model's assumptions and limitations, initial and ongoing model validation helps ensure the model incorporates current market developments and industry trends. Our model validation process is designed to ensure that all material underlying model risk factors are identified and successfully mitigated.

Risk control

Our enterprise-wide risk management approach is supported by a comprehensive set of risk controls. The controls are anchored by our Enterprise Risk Management and Risk-Specific Frameworks. These frameworks lay the foundation for the development and communication of policies, establishment of formal risk review and approval processes, and the establishment of delegated authorities and limits. The implementation of robust risk controls enables the optimization of risk and return on both a portfolio and a transactional basis.

Our risk management frameworks and policies are organized into the following five levels:

Level 1: Enterprise Risk Management Framework provides an overview of our enterprise-wide program for identifying, assessing, measuring, controlling, monitoring and reporting on the significant risks we face. This framework is underpinned by our Risk Appetite Framework and Risk Conduct Framework.

Level 2: Risk-Specific Frameworks elaborate on each specific risk type and the mechanisms for identifying, measuring, monitoring and reporting of our principal risks; key policies; and roles and responsibilities.

Level 3: Enterprise Risk Policies articulate minimum requirements, within which businesses and employees must operate.

Level 4: "Multi-risk" Enterprise Risk Policies govern activities such as product risk review and approval, stress testing, risk limits, risk approval authorities and model risk management.

Level 5: Business Segments and Corporate Support – Specific Policies and Procedures are established to manage the risks that are unique to their operations.

Risk review and approval processes

Risk review and approval processes are established by GRM based on the nature, size, and complexity of the risk involved. In general, the risk review and approval process involves a formal review and approval by an individual, group or committee that is independent from the originator. The approval responsibilities are governed by delegated authorities based on the following categories: transactions, structured credit, projects and initiatives, and new products and services.

Authorities and limits

The Risk Committee of the Board of Directors delegates credit, market, and insurance risk authorities to the President & CEO and the CRO. The delegated authorities allow these officers to approve single name, geographic (country and region) and industry sector exposures within defined parameters to manage concentration risk, establish underwriting and inventory limits for trading and investment banking activities and set market risk tolerances.

The Board of Directors also delegates liquidity risk authorities to the President & CEO, CAO & CFO, and CRO. These limits act as a key risk control designed to ensure that reliable and cost-effective sources of cash or its equivalent are available to satisfy our current and prospective commitments.

Reporting

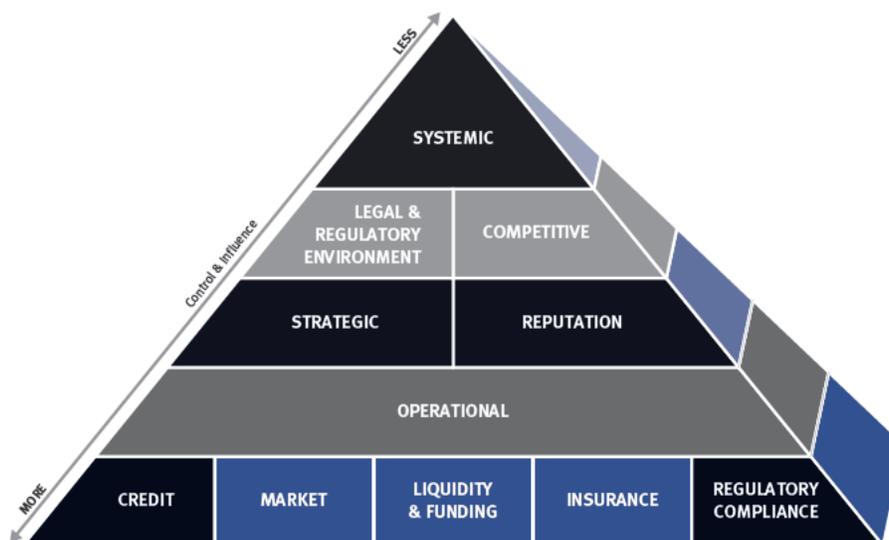
Enterprise and business segment level risk monitoring and reporting are critical components of our enterprise risk management program and support the ability of senior management and the Board of Directors to effectively perform their risk management and oversight responsibilities. On a quarterly basis, we provide to senior management and the Board of Directors the Enterprise Risk Report which includes a comprehensive review of our Risk Profile relative to our Risk Appetite and focuses on the range of risks we face along with an analysis of the related issues and trends. In addition to our regular risk monitoring, other risk specific presentations are provided to and discussed with senior management and the Board of Directors on top and emerging risk issues or significant changes in our level of risk.

Risk Pyramid

We use a pyramid to identify and categorize our principal risks. The Risk Pyramid drives internal consistency of risk terminology and language, and is used to identify and assess risk in new and existing businesses, products or initiatives, acquisitions and alliances. Principal risk types are organized vertically from the top of the pyramid to its base according to the relative degree of control and influence we consider to have over each risk type. The Risk Pyramid is reviewed regularly to ensure that all key risks are reflected and ranked appropriately.

The base of the pyramid – The risk categories along the base of the Risk Pyramid are those over which we have the greatest level of control and influence. These are credit, market, liquidity and funding, insurance and regulatory compliance risks. Operational risk, while still viewed as one of the risks over which we have the greatest level of control and influence, is ranked higher on the pyramid than the other highly controllable risks. This ranking acknowledges the level of controllability associated with people, systems and external events.

The top of the pyramid – Systemic risk is placed at the top of the Risk Pyramid, and is generally considered the least controllable type of risk arising from the business environment impacting us. However, we have in place measures for mitigating the impacts of systemic risk such as stress testing programs and diversification. We are diversified across various business models, funding sources, products and geographies. Legal and regulatory environment and competitive risks, which can be viewed as somewhat controllable, can be influenced through our role as a corporate entity, and as an active participant in the Canadian and global financial services industry.



The shaded text along with the tables specifically marked with an asterisk(*) in the following sections of the MD&A represent our disclosures on credit, market and liquidity and funding risks in accordance with IFRS 7, *Financial Instruments: Disclosures*, and include discussion on how we measure our risks and the objectives, policies and methodologies for managing these risks. Therefore, these shaded text and tables represent an integral part of our 2014 Annual Consolidated Financial Statements.

Credit risk

Credit risk is the risk of loss associated with an obligor’s potential inability or unwillingness to fulfill its contractual obligations. Credit risk may arise directly from the risk of default of a primary obligor (e.g. issuer, debtor, counterparty, borrower or policyholder), or indirectly from a secondary obligor (e.g. guarantor or reinsurer). Credit risk includes counterparty credit risk from both trading and non-trading activities.

The failure to effectively manage credit risk across all our products, services and activities can have a direct, immediate and material impact on our earnings and reputation.

We balance our risk and return by:

- Ensuring credit quality is not compromised for growth;
- Diversifying credit risks in transactions, relationships and portfolios;
- Using our credit risk rating and scoring systems or other approved credit risk assessment or rating methodologies, policies and tools;
- Pricing appropriately for the credit risk taken;
- Applying consistent credit risk exposure measurements;
- Mitigating credit risk through preventive and detective controls;
- Transferring credit risk to third parties, where appropriate, through approved credit risk mitigation techniques, including hedging activities and insurance coverage; and
- Ongoing credit risk monitoring and administration.

Risk measurement – Credit risk

We quantify credit risk, at both the individual obligor and portfolio levels, to manage expected credit losses and minimize unexpected losses in order to limit earnings volatility.

We employ different risk measurement processes for our wholesale and retail credit portfolios. The wholesale portfolio comprises businesses, sovereigns, public sector entities, banks and other financial institutions, and certain individuals and small businesses that are managed on an individual client basis. The retail portfolio is comprised of residential mortgages, personal, credit card, and small business loans, which are managed on a pooled basis. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner.

In measuring credit risk and setting regulatory capital, two principal approaches are available: Internal Ratings Based Approach (IRB) and Standardized Approach. Most of our credit risk exposure is measured under the IRB.

Economic capital, which is our internal quantification of risks, is used extensively for performance measurement, limit setting and internal capital adequacy.

The key parameters that form the basis of our credit risk measures for both regulatory and economic capital are:

- Probability of default (PD): An estimated percentage that represents the likelihood of default within a given time period of an obligor for a specific rating grade or for a particular pool of exposure.
- Exposure at default (EAD): An amount expected to be owed by an obligor at the time of default.
- Loss given default (LGD): An estimated percentage of EAD that is not expected to be recovered during the collections and recovery process.

These parameters are determined based on historical experience from internal credit risk rating systems in accordance with supervisory standards, and are independently validated and updated on a regular basis.

Under the Standardized Approach, used primarily for Investor Services and our Caribbean and U.S. banking operations, risk-weights prescribed by the Office of the Superintendent of Financial Institutions (OSFI) are used to calculate risk-weighted assets (RWA) for credit risk exposure.

Wholesale credit risk

The wholesale credit risk rating system is designed to measure the credit risk inherent in our wholesale lending activities.

Each obligor is assigned a borrower risk rating (BRR), reflecting an assessment of the credit quality of the obligor. Each BRR has a PD assigned to it. The BRR differentiates the riskiness of obligors and represents our evaluation of the obligor's ability and willingness to meet its contractual obligations on time over a three year time horizon. The assignment of BRRs is based on the evaluation of the obligor's business risk and financial risk and is based on fundamental credit analysis. The determination of the PD associated with each BRR relies primarily on internal default history since the late 1990s augmented where necessary with reference to external data. PD estimates are designed to be a conservative reflection of our experience across the economic cycle including periods of stress or economic downturn.

Our rating system is largely consistent with that of external rating agencies. The following table aligns the relative rankings of our 22-grade internal risk ratings with the ratings used by external rating agencies.

Internal ratings map*

Table 40

Ratings	BRR	Standard & Poor's (S&P)	Moody's Investors Service (Moody's)	Description
1	1+	AAA	Aaa	Investment Grade
2	1H	AA+	Aa1	
3	1M	AA	Aa2	
4	1L	AA-	Aa3	
5	2+H	A+	A1	
6	2+M	A	A2	
7	2+L	A-	A3	
8	2H	BBB+	Baa1	
9	2M	BBB	Baa2	
10	2L	BBB-	Baa3	
11	2-H	BB+	Ba1	Non-investment Grade
12	2-M	BB	Ba2	
13	2-L	BB-	Ba3	
14	3+H	B+	B1	
15	3+M	B	B2	
16	3+L	B-	B3	
17	3H	CCC+	Caa1	
18	3M	CCC	Caa2	
19	3L	CCC-	Caa3	
20	4	CC	Ca	
21	5	D	C	Impaired
22	6	Bankruptcy	Bankruptcy	

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

Each credit facility is assigned an LGD rate. LGD rates are largely driven by factors that will impact the extent of any losses in the event the obligor defaults including seniority of debt, collateral security, and the industry sector in which the obligor operates. Estimated LGD rates draw primarily on internal loss experience since the late 1990s. Where we have limited internal loss data we also look to external data to inform the estimation. LGD rates are estimated to reflect conditions that might be expected to prevail in a period of an economic downturn, with additional conservatism added to reflect data limitations and judgments made in the estimation process.

EAD is estimated based on the current exposure to the obligor and the possible future changes in that exposure driven by factors such as the nature of the credit commitment and the type of obligor. As with LGD, rates are estimated to reflect downturn conditions, with added conservatism to reflect data and modeling uncertainty. Estimates are based on internal data dating back to the late 1990s.

Estimates of PD, LGD, and EAD are updated, and then validated and back-tested by an independent team within the bank, on an annual basis. In addition, quarterly monitoring and back-testing is performed by the estimation team. These ratings and risk measurements are used in the determination of our expected losses as well as economic and regulatory capital, setting of risk limits, portfolio management and product pricing.

Counterparty credit risk

Counterparty credit risk is the risk that a party with whom the bank has entered into a financial or non-financial contract will fail to fulfill its contractual agreement and default on the obligation. It is measured not only by its current value, but also by how this value can move as market conditions change. Counterparty credit risk usually occurs in trading-related derivative and repo-style transactions.

Derivative transactions include financial (e.g. forwards, futures, swaps, and options) and non-financial derivatives (e.g. precious metal and commodities). For further details on our derivative instruments and credit risk mitigation, refer to Note 8 of our 2014 Annual Consolidated Financial Statements.

Retail credit risk

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for retail exposures. Credit scores along with decision strategies are employed in the acquisition of new clients (acquisition) and management of existing clients (behavioural).

Criteria used to pool exposures for risk quantification include behavioural score, product type (mortgages, credit cards, lines of credit and instalment loans), collateral type (chattel, liquid assets and real estate), loan-to-value, and the delinquency status (performing, delinquent and default) of the exposure. Regular monitoring and periodic adjustments and alignments are conducted to ensure that this process provides for a meaningful differentiation of risk. Migration between the pools is considered when assessing credit quality.

The pools are also assessed based on credit risk parameters (PD and EAD) which consider borrower and transaction characteristics, including behavioural credit score, product type and delinquency status. LGD is reviewed and re-estimated on an annual basis under the Basel III IRB. The estimation is based on transaction specific factors, including product, loan-to-value and collateral types. LGD is determined based on over 10 years of historical economic losses with the highest degree of granularity and sufficient margin of conservatism. Parameters are validated and back-tested by an independent team within the bank.

The following table maps PD bands to various risk levels:

Internal ratings map*		Table 41
PD bands	Description	
0.000% – 1.718%	Low risk	
1.719% – 6.430%	Medium risk	
6.431% – 99.99%	High risk	
100%	Impaired/Default	

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

Risk control – Credit risk

The Board of Directors and its committees, the GE, the GRC and other senior management risk committees work together to ensure a Credit Risk Management Framework and supporting policies, processes and procedures exist to manage credit risk and approve related credit risk limits. Reports are distributed to the Board of Directors, the GRC, and senior executives to keep them informed of our Risk Profile, including trending information and significant credit risk issues and shifts in exposures to ensure appropriate actions can be taken where necessary. Our enterprise-wide credit risk policies set out the minimum requirements for the management of credit risk in a variety of borrower, transactional and portfolio management contexts.

Credit policies are an integral component of our Credit Risk Management Framework and set out the minimum requirements for the management of credit risk as follows:

Credit risk assessment

- Mandatory use of credit risk rating and scoring systems.
- Consistent credit risk assessment criteria.
- Standard content requirements in credit application documents.

Credit risk concentration

We define credit concentration risk as the risk arising from an over-concentration on single names, industry sectors, countries or credit products within the portfolio. Concentration risk results from large exposure to similar risks that are positively correlated such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions. We manage credit exposures to promote alignment to the Bank's risk appetite, to maintain our target business mix and to ensure that there is no undue risk concentration. Credit concentration limits are reviewed and approved by the Risk Committee.

Credit risk mitigation

Structuring of transactions

- Specific credit policies and procedures set out the requirements for structuring transactions. Risk mitigants include the use of guarantees, seniority, loan-to-value requirements and covenants. Product-specific guidelines set out appropriate product structuring as well as client and guarantor criteria.

Collateral

- We often require obligors to pledge collateral as security when we advance credit. The extent of risk mitigation provided by collateral depends on the amount, type and quality of the collateral taken. Specific requirements relating to collateral valuation and management are documented in our credit risk management policies.

Credit derivatives

- Used as a tool to mitigate industry sector concentration and single-name exposure. For a more detailed description of the types of credit derivatives we enter into and how we manage related credit risk, refer to Note 8 of our 2014 Annual Consolidated Financial Statements.

Loan forbearance

In our overall management of borrower relationships, economic or legal reasons may necessitate forbearance to certain clients with respect to the original terms and conditions of their loans. We strive to identify borrowers in financial difficulty early and modify their loan terms in order to maximize collection and to avoid foreclosure, repossession, or other legal remedies. In these circumstances, a borrower may be granted concessions that would not otherwise be considered. We have specialized groups and formalized policies that direct the management of delinquent or defaulted borrowers. Examples of such concessions to retail borrowers may include rate reduction, principal forgiveness, and term extensions. Concessions to wholesale borrowers may include restructuring the agreements, modifying the original terms of the agreement and/or relaxation of covenants. For both retail and wholesale loans, the appropriate remediation techniques are based on the individual borrower's situation, the Bank's policy and the customer's willingness and capacity to meet the new arrangement. When a loan is restructured, the recorded investment in the loan is reduced as of the date of restructuring to the amount of the net cash flows receivable under the modified terms, discounted at the effective interest rate inherent in the loan (prior to restructuring). During 2014, the amount of loans restructured was not material.

Product approval

- Proposals for credit products and services are comprehensively reviewed and approved under a risk assessment framework.

Credit portfolio management

- Limits are used to manage concentration risk and to ensure our portfolio is well-diversified and remains within our Risk Appetite. Limits are reviewed on a regular basis taking into account the business, economic, financial and regulatory environments.
- Our credit limits are established at the following levels: single name limits (notional and economic capital), underwriting risk limits, geographic (country and region) limits (notional and economic capital), industry sector limits (notional and economic capital), and product and portfolio limits, where deemed necessary.

Gross credit risk exposure

Gross credit risk exposure is calculated based on the definitions provided under the Basel III framework. Under this method, risk exposure is calculated before taking into account any collateral and is inclusive of an estimate of potential future changes to that credit exposure. Gross credit risk is categorized into lending-related and other, and trading-related.

Lending-related and other includes:

- Loans and acceptances outstanding, undrawn commitments, and other exposures including contingent liabilities such as letters of credit and guarantees, Available-for-sale (AFS) debt securities and deposits with financial institutions. Undrawn commitments represent an estimate of the contractual amount that may be drawn upon at the time of default of an obligor.

Trading-related credit includes:

- Repo-style transactions which include repurchase and reverse repurchase agreements and securities lending and borrowing transactions. For repo-style transactions, gross exposure represents the amount at which securities were initially financed, before taking into account collateral.
- Derivative amount which represents the credit equivalent amount, which is defined by OSFI as the replacement cost plus an amount for potential future credit exposure.

(Millions of Canadian dollars)	As at											
	October 31 2014						October 31 2013					
	Lending-related and other			Trading-related			Lending-related and other			Trading-related		
	Loans and acceptances			Repo-style transactions			Loans and acceptances			Repo-style transactions		
Outstanding	Undrawn commitments	Other (1)	Repo-style transactions	Derivatives (2)	Total exposure (3)	Outstanding	Undrawn commitments	Other (1)	Repo-style transactions	Derivatives (2)	Total exposure (3)	
Residential mortgages	\$ 219,257	\$ –	\$ 197	\$ –	\$ –	\$ 219,454	\$ 209,238	\$ –	\$ –	\$ –	\$ 209,238	
Personal	96,021	83,965	154	–	–	180,140	92,859	77,463	32	–	170,354	
Credit cards	14,924	21,689	–	–	–	36,613	14,142	20,347	–	–	34,489	
Small business (4)	4,785	4,631	9	–	–	9,425	4,388	4,043	41	–	8,472	
Retail	\$ 334,987	\$ 110,285	\$ 360	\$ –	\$ –	\$ 445,632	\$ 320,627	\$ 101,853	\$ 73	\$ –	\$ 422,553	
Business (4)												
Agriculture	\$ 5,694	\$ 1,079	\$ 55	\$ –	\$ 51	\$ 6,879	\$ 5,441	\$ 630	\$ 51	\$ –	\$ 6,152	
Automotive	6,209	4,880	299	–	697	12,085	6,167	3,602	255	–	10,475	
Consumer goods	7,172	6,189	547	–	281	14,189	6,230	5,786	509	–	12,667	
Energy	9,615	22,161	3,353	–	1,578	36,707	8,906	19,843	3,140	–	33,936	
Non-bank financial services	5,688	9,775	13,414	160,514	23,290	212,681	4,903	8,529	13,374	134,290	18,368	
Forest products	979	452	108	–	18	1,557	893	434	104	–	1,446	
Industrial products	4,665	4,753	441	–	462	10,321	4,038	3,656	384	–	2,666	
Mining & metals	1,320	2,870	876	–	174	5,240	1,074	2,648	807	–	4,687	
Real estate & related	30,387	7,791	1,699	22	286	40,185	24,413	5,461	1,487	7	295	
Technology & media	4,822	8,705	511	2	955	14,995	4,006	6,883	500	3	620	
Transportation & environment	5,432	3,624	1,702	–	810	11,568	5,593	3,032	1,574	–	564	
Other	25,886	13,345	8,379	3,490	13,800	64,900	22,755	9,989	9,060	2,202	14,537	
Sovereign (4)	4,628	5,303	47,798	25,863	8,170	91,762	4,396	5,527	34,789	27,193	8,319	
Bank (4)	1,201	710	73,365	94,824	22,724	192,824	1,320	270	67,007	87,953	21,243	
Wholesale	\$ 113,698	\$ 91,637	\$ 152,547	\$ 284,715	\$ 73,296	\$ 715,893	\$ 100,135	\$ 76,290	\$ 133,041	\$ 251,648	\$ 67,055	\$ 628,169
Total exposure	\$ 448,685	\$ 201,922	\$ 152,907	\$ 284,715	\$ 73,296	\$ 1,161,525	\$ 420,762	\$ 178,143	\$ 133,114	\$ 251,648	\$ 67,055	\$ 1,050,722

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

- (1) Includes credit equivalent amounts for contingent liabilities such as letters of credit and guarantees, outstanding amounts for AFS debt securities, deposits with financial institutions and other assets.
- (2) Credit equivalent amount after factoring in master netting agreements.
- (3) Gross credit risk exposure is before allowance for loan losses. Exposure under Basel III asset classes of qualifying revolving retail and other retail are largely included within Personal and Credit cards, while home equity lines of credit are included in Personal.
- (4) Refer to Note 5 of our 2014 Annual Consolidated Financial Statements for the definition of these terms.

2014 vs. 2013

Total gross credit risk exposure increased \$111 billion or 11% from last year, largely reflecting an increase in repo-style transactions and growth in loans and acceptances.

Retail exposure increased \$23 billion or 5%, primarily due to volume growth in Canadian residential mortgages and personal loans reflecting the ongoing low interest rate environment.

Wholesale exposure increased \$88 billion or 14%, largely driven by an increase in repo-style transactions due to higher client activity, higher loans and acceptances reflecting growth across various industry sectors, particularly in Real estate & related, and an increase in Other exposure related to letters of credit and guarantees, and AFS securities. The impact of foreign exchange translation also contributed to the increase. Wholesale loan utilization was 37%, unchanged from last year.

Gross credit risk exposure by geography* (1)

(Millions of Canadian dollars)	As at											
	October 31 2014						October 31 2013					
	Lending-related and other			Trading-related			Lending-related and other			Trading-related		
	Loans and acceptances			Repo-style transactions			Loans and acceptances			Repo-style transactions		
Outstanding	Undrawn commitments	Other	Repo-style transactions	Derivatives	Total exposure	Outstanding	Undrawn commitments	Other	Repo-style transactions	Derivatives	Total exposure	
Canada	\$ 390,221	\$ 142,841	\$ 63,060	\$ 56,308	\$ 21,649	\$ 674,079	\$ 373,714	\$ 129,632	\$ 58,048	\$ 55,394	\$ 23,619	\$ 640,407
U.S.	28,325	43,270	23,487	150,549	12,536	258,167	23,177	35,633	20,811	120,482	11,829	211,932
Europe	15,348	13,091	47,904	52,501	34,222	163,066	11,471	10,200	39,111	55,928	27,215	143,925
Other International	14,791	2,720	18,456	25,357	4,889	66,213	12,400	2,678	15,144	19,844	4,392	54,458
Total Exposure	\$ 448,685	\$ 201,922	\$ 152,907	\$ 284,715	\$ 73,296	\$ 1,161,525	\$ 420,762	\$ 178,143	\$ 133,114	\$ 251,648	\$ 67,055	\$ 1,050,722

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

- (1) Geographic profile is primarily based on country of residence of the borrower.

2014 vs. 2013

The geographic mix of our gross credit risk exposure to Canada, U.S., Europe, and Other International ended the year at 58%, 22%, 14%, and 6%, respectively (2013 – 61%, 20%, 14%, and 5%, respectively). Shifts in our geographic mix were largely related to repo-style transactions.

(Millions of Canadian dollars)	As at									
	October 31 2014					October 31 2013 ⁽⁴⁾				
	Low risk	Medium risk	High risk	Impaired	Total	Low risk	Medium risk	High risk	Impaired	Total
Retail ⁽³⁾										
Residential mortgages	\$ 206,699	\$ 9,452	\$ 2,428	\$ 678	\$ 219,257	\$ 195,578	\$ 10,561	\$ 2,408	\$ 691	\$ 209,238
Personal	158,530	17,309	3,847	300	179,986	150,701	15,240	4,018	363	170,322
Credit cards	29,900	5,403	1,310	–	36,613	28,359	4,981	1,149	–	34,489
Small business	6,542	1,519	1,308	47	9,416	5,908	1,439	1,047	37	8,431
	\$ 401,671	\$ 33,683	\$ 8,893	\$ 1,025	\$ 445,272	\$ 380,546	\$ 32,221	\$ 8,622	\$ 1,091	\$ 422,480

(Millions of Canadian dollars)	As at								
	October 31 2014				October 31 2013				
	Investment grade	Non-investment grade	Impaired	Total	Investment grade	Non-investment grade	Impaired	Total	
Wholesale ⁽⁵⁾									
Business	\$ 82,714	\$ 109,829	\$ 950	\$ 193,493	\$ 73,865	\$ 89,940	\$ 1,107	\$ 164,912	
Sovereign	9,476	455	–	9,931	9,582	341	–	9,923	
Bank	1,440	469	2	1,911	1,387	200	3	1,590	
Total	\$ 93,630	\$ 110,753	\$ 952	\$ 205,335	\$ 84,834	\$ 90,481	\$ 1,110	\$ 176,425	

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

(1) This table represents our retail and wholesale loans and acceptances outstanding and undrawn commitments by portfolio and risk category. For a qualitative description of the credit risk assessment process, refer to the Risk measurement – Credit risk section.

(2) This amount is before allowance for impaired loans.

(3) Includes undrawn commitments of \$nil, \$84.0 billion, \$21.7 billion, and \$4.6 billion for Residential mortgages, Personal, Credit cards and Small business, respectively.

(4) Comparative amounts have been restated to align with changes in our parameter estimation methodology and risk band classification during 2014.

(5) Includes undrawn commitments of \$85.6 billion, \$5.3 billion, and \$0.7 billion for Business, Sovereign and Bank, respectively.

2014 vs. 2013

There were no significant shifts in the overall distribution of our exposure across the various credit quality categories compared to last year.

European exposure

Table 45

(Millions of Canadian dollars)	As at								
	October 31 2014								October 31 2013
	Loans and acceptances				Other				Total European exposure
	Outstanding	Undrawn commitments ⁽¹⁾	Securities ⁽²⁾	Letters of credit and guarantees	Repo-style transactions	Derivatives	Total European exposure		
Gross exposure to Europe	\$ 15,348	\$ 13,091	\$ 22,916	\$ 24,988	\$ 52,501	\$ 34,222	\$ 163,066	\$ 143,925	
Less: Collateral held against repo-style transactions	–	–	–	–	51,386	–	51,386	54,416	
Potential future credit exposure add-on amount	–	–	–	–	–	22,403	22,403	18,827	
Undrawn commitments	–	13,091	–	24,988	–	–	38,079	27,719	
Gross drawn exposure to Europe	\$ 15,348	\$ –	\$ 22,916	\$ –	\$ 1,115	\$ 11,819	\$ 51,198	\$ 42,963	
Less: Collateral applied against derivatives	–	–	–	–	–	8,249	8,249	6,306	
Add: Trading securities	–	–	15,471	–	–	–	15,471	13,816	
Net exposure to Europe ⁽³⁾	\$ 15,348	\$ –	\$ 38,387	\$ –	\$ 1,115	\$ 3,570	\$ 58,420	\$ 50,473	

(1) Comprised of undrawn commitments of \$10.6 billion to corporate entities, \$2.1 billion to financial entities and \$0.4 billion to sovereign entities. On a country basis, exposure is comprised of \$5.2 billion to the U.K., \$2.3 billion to Germany, \$2.1 billion to France, \$509 million to Ireland, \$343 million to Spain, \$1 million to Italy, with the remaining \$2.6 billion related to Other Europe. Of the undrawn commitments, over 77% are to investment grade entities.

(2) Securities include \$15.5 billion of trading securities (2013 – \$13.8 billion), \$11.9 billion of deposits (2013 – \$13.8 billion) and \$11 billion of AFS securities (2013 – \$7.8 billion).

(3) Excludes \$2.8 billion (2013 – \$1 billion) of exposures to supranational agencies and \$0.7 billion (2013 – \$2.4 billion) of exposures to trade credit reinsurance.

Our gross credit risk exposure is calculated based on the definitions provided under the Basel III framework whereby risk exposure is calculated before taking into account any collateral and inclusive of an estimate of potential future changes to that credit exposure. On that basis, our total European exposure as at October 31, 2014 was \$163 billion. Our gross drawn exposure to Europe was \$51 billion, after taking into account

collateral held against repo-style transactions of \$51 billion, letters of credit and guarantees, and undrawn commitments for loans of \$38 billion and potential future credit exposure to derivatives of \$23 billion. Our net exposure to Europe was \$58 billion, after taking into account \$8 billion of collateral, primarily in cash, we hold against derivatives and the addition of trading securities of \$15 billion held in our trading book. Our net exposure to Europe also reflected \$0.4 billion of mitigation through credit default swaps, which are largely used to hedge single name exposures and market risk.

Net European exposure by country ⁽¹⁾

Table 46

(Millions of Canadian dollars)	As at						October 31 2013
	October 31 2014					Total	
	Loans outstanding	Securities	Repo-style transactions	Derivatives	Total		
U.K.	\$ 9,428	\$ 12,486	\$ 874	\$ 1,245	\$ 24,033	\$ 17,515	
Germany	914	8,602	36	620	10,172	8,270	
France	569	3,176	50	489	4,284	3,856	
Total U.K., Germany, France	\$ 10,911	\$ 24,264	\$ 960	\$ 2,354	\$ 38,489	\$ 29,641	
Greece	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	
Ireland	619	104	8	152	883	174	
Italy	26	67	–	57	150	325	
Portugal	9	–	–	–	9	6	
Spain	350	105	–	21	476	491	
Total Peripheral ⁽²⁾	\$ 1,004	\$ 276	\$ 8	\$ 230	\$ 1,518	\$ 996	
Luxembourg	\$ 524	\$ 1,136	\$ 2	\$ 247	\$ 1,909	\$ 5,666	
Netherlands	882	2,893	20	465	4,260	2,861	
Norway	369	2,613	–	29	3,011	2,925	
Sweden	13	2,658	60	–	2,731	2,831	
Switzerland	502	2,890	54	111	3,557	3,094	
Other	1,143	1,657	11	134	2,945	2,459	
Total Other Europe	\$ 3,433	\$ 13,847	\$ 147	\$ 986	\$ 18,413	\$ 19,836	
Total exposure to Europe	\$ 15,348	\$ 38,387	\$ 1,115	\$ 3,570	\$ 58,420	\$ 50,473	

(1) Geographic profile is based on country of risk, which reflects our assessment of the geographic risk associated with a given exposure. Typically, this is the residence of the borrower.

(2) Gross credit risk exposure to peripheral Europe is comprised of Greece \$nil (2013 – \$nil), Ireland \$2.5 billion (2013 – \$1.5 billion), Italy \$0.2 billion (2013 – \$0.3 billion), Portugal \$nil (2013 – \$0.1 billion), and Spain \$0.9 billion (2013 – \$0.9 billion).

2014 vs. 2013

Net credit risk exposure to Europe increased \$8 billion from last year, largely driven by increased exposure in the U.K., Germany and Netherlands, partially offset by a decrease in Luxembourg. Our net exposure to peripheral Europe, which includes Greece, Ireland, Italy, Portugal and Spain, remained minimal with total outstanding exposure increasing \$0.5 billion during the year to \$1.5 billion as at October 31, 2014, largely due to an increase in Ireland.

Our exposure was predominantly investment grade. Our net exposure to larger European countries, including the U.K., Germany and France, was primarily related to our capital markets, wealth management and investor services businesses, particularly in fixed income, treasury services, derivatives, and corporate and individual lending. These are predominantly client-driven businesses where we transact with a range of European financial institutions, corporations and individuals. In addition, we engage in primary dealer activities in the U.K., where we participate in auctions of government debt and act as a market maker and provide liquidity to clients. Exposures to other European countries are largely related to securities which include trading securities, deposits, and AFS securities.

Our trading securities are related to both client market making activities and our funding and liquidity management needs. All of our trading securities are marked-to-market on a daily basis. Deposits are primarily related to deposits with central banks or financial institutions and also included deposits related to our wealth management business in the Channel Islands. AFS securities are largely comprised of Organization of Economic Co-operation and Development government and corporate debt. Our European corporate loan book is run on a global basis and the underwriting standards for this loan book reflect the same approach to the use of our balance sheet as we have applied in both Canada and the U.S. We had a PCL recovery on this portfolio of \$1 million this year. The gross impaired loans ratio of this loan book was 0.12%, down from 0.69% last year.

Net European exposure by client type

Table 47

(Millions of Canadian dollars)	As at												
	October 31 2014											October 31 2013	
	U.K.	Germany	France	Total U.K., Germany, France	Greece	Ireland	Italy	Portugal	Spain	Total Peripheral	Other Europe	Total Europe	Total Europe
Financials	\$ 4,928	\$ 6,948	\$ 1,385	\$ 13,261	\$ –	\$ 92	\$ 59	\$ –	\$ 97	\$ 248	\$ 11,132	\$ 24,641	\$ 21,593
Sovereign	10,028	1,776	2,137	13,941	–	14	6	–	10	30	3,556	17,527	16,205
Corporate	9,077	1,448	762	11,287	–	777	85	9	369	1,240	3,725	16,252	12,675
Total	\$ 24,033	\$ 10,172	\$ 4,284	\$ 38,489	\$ –	\$ 883	\$ 150	\$ 9	\$ 476	\$ 1,518	\$ 18,413	\$ 58,420	\$ 50,473

2014 vs. 2013

Our net exposure to Corporate increased by \$4 billion due to increases in the U.K. and Germany. The increase in Financials of \$3 billion was largely in Germany and the U.K.

Residential mortgages and home equity lines of credit (insured vs. uninsured)

Residential mortgages and home equity lines of credit are secured by residential properties. The following table presents a breakdown by geographic region:

Residential mortgages and home equity lines of credit							Table 48
(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2014						
	Residential mortgages (1)					Home equity lines of credit	
	Insured (2)		Uninsured		Total	Total	
Region (3)							
Canada							
Atlantic provinces	\$ 6,411	55%	\$ 5,169	45%	\$ 11,580	\$ 2,068	
Quebec	13,006	50	13,248	50	26,254	4,163	
Ontario	35,354	40	51,974	60	87,328	17,104	
Prairie provinces	25,813	53	22,826	47	48,639	10,310	
B.C. and territories	15,585	38	25,887	62	41,472	9,768	
Total Canada (4)	\$ 96,169	45%	\$ 119,104	55%	\$ 215,273	\$ 43,413	
U.S.	4	1	535	99	539	332	
Other International	13	–	3,081	100	3,094	2,691	
Total International	\$ 17	–%	\$ 3,616	100%	\$ 3,633	\$ 3,023	
Total	\$ 96,186	44%	\$ 122,720	56%	\$ 218,906	\$ 46,436	
Total – October 31, 2013	\$ 96,624	46%	\$ 111,822	54%	\$ 208,446	\$ 45,494	

(1) The residential mortgages amounts exclude our third party mortgage-backed securities (MBS) of \$351 million (2013 – \$792 million).

(2) Insured residential mortgages are mortgages whereby our exposure to default is mitigated by insurance through the Canada Mortgage and Housing Corporation (CMHC) or other private mortgage default insurers.

(3) Region is based upon address of the property mortgaged. The Atlantic provinces are comprised of Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick, the Prairie provinces are comprised of Manitoba, Saskatchewan and Alberta, and B.C. and territories are comprised of British Columbia, Nunavut, Northwest Territories and Yukon.

(4) Total Canada residential mortgages balance of \$215 billion consolidated is comprised of \$192 billion of residential mortgages and \$5 billion of mortgages with commercial clients of which \$3.4 billion are insured mortgages, both in Canadian Banking, and \$18 billion of securitized residential mortgages in Capital Markets.

Home equity lines of credit are uninsured and reported within the personal loan category. As at October 31, 2014, home equity lines of credit in Canadian Banking were \$43 billion (2013 – \$43 billion). Approximately 97% of these home equity lines of credit (2013 – 97%) are secured by a first lien on real estate, and less than 8% (2013 – 8%) of these clients pay the scheduled interest payment only.

Residential mortgages portfolio by amortization period

The following table provides a summary of the percentage of residential mortgages that fall within the remaining amortization periods based upon current customer payment amounts, which incorporate payments larger than the minimum contractual amount and/or higher frequency of payments:

Amortization period	Residential mortgages portfolio by amortization period				Table 49
	As at			October 31 2013	
	October 31 2014	U.S. and Other International	Total		
	Canada	U.S. and Other International	Total	Total	
≤ 25 years	71%	91%	72%	68%	
>25 years ≤ 30 years	23	9	22	22	
> 30 years ≤ 35 years	5	–	5	8	
> 35 years	1	–	1	2	
Total	100%	100%	100%	100%	

Average loan-to-value (LTV) ratio for newly originated and acquired uninsured residential mortgages and homeline products

The following table provides a summary of our average LTV ratio for newly originated and acquired uninsured residential mortgages and homeline products by geographic region:

Average LTV ratio		Table 50			
		2014		2013	
		Uninsured		Uninsured	
		Residential mortgages (1)	Homeline products (2)	Residential mortgages (1)	Homeline products (2)
Region (3)					
Atlantic provinces		74%	74%	73%	74%
Quebec		71	73	71	73
Ontario		71	71	71	71
Prairie provinces		74	73	73	73
B.C. and territories		69	67	69	67
U.S.		71	n.m.	69	n.m.
Other International		85	n.m.	83	n.m.
Average of newly originated and acquired for the year (4), (5)		72%	71%	71%	71%
Total Canadian Banking residential mortgages portfolio		55%	55%	56%	56%

(1) Residential mortgages excludes residential mortgages within the homeline products.

(2) Homeline products are comprised of both residential mortgages and home equity lines of credit.

(3) Region is based upon address of the property mortgaged. The Atlantic provinces are comprised of Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick, the Prairie provinces are comprised of Manitoba, Saskatchewan and Alberta, and B.C. and territories are comprised of British Columbia, Nunavut, Northwest Territories and Yukon.

(4) The average LTV ratio for newly originated and acquired uninsured residential mortgages and homeline products is calculated on a weighted basis by mortgage amounts at origination.

(5) For newly originated mortgages and homeline products, LTV is calculated based on the total facility amount for the residential mortgage and homeline product divided by the value of the related residential property.

n.m. not meaningful

While the above table provides the LTV ratios for the current year originations, the LTV ratio on our outstanding balances of the entire Canadian Banking uninsured residential mortgages, including homeline products is 55% as at October 31, 2014 (2013 – 56%). This calculation is weighted by mortgage balances and adjusted for property values base on the Teranet – National Bank National Composite House Price Index.

We employ a risk-based approach to property valuation. Property valuation methods include automated valuation models (AVM) and appraisals. An AVM is a tool that estimates the value of a property by reference to market data including sales of comparable properties and price trends specific to the Metropolitan Statistical Area in which the property being valued is located. Using a risk-based approach, we also employ appraisals which can include drive-by or full on-site appraisals.

We continue to actively manage our entire mortgage portfolio and perform stress testing, based on a combination of increasing unemployment, rising interest rates, and a downturn in real estate markets. Our stress test results indicate the vast majority of our residential mortgage and homeline clients have sufficient capacity to continue making payments in the event of a shock to one of the above noted parameters.

Provision for (recovery of) credit losses		Table 51	
(Millions of Canadian dollars, except percentage amounts)	2014	2013	
Personal & Commercial Banking	\$ 1,103	\$	995
Wealth Management	19		51
Capital Markets	44		188
Corporate Support and Other (1)	(2)		3
Total PCL	\$ 1,164	\$	1,237
Canada (2)			
Residential mortgages	\$ 27	\$	27
Personal	393		391
Credit cards	345		346
Small business	44		32
Retail	809		796
Wholesale	123		149
PCL on impaired loans	932		945
U.S. (2)			
Retail	\$ 2	\$	3
Wholesale	40		32
PCL on impaired loans	42		35
Other International (2)			
Retail	\$ 121	\$	86
Wholesale	69		171
PCL on impaired loans	190		257
Total PCL	\$ 1,164	\$	1,237
PCL ratio (3)			
Total PCL ratio	0.27%		0.31%
Personal & Commercial Banking	0.31		0.30
Canadian Banking	0.27		0.27
Caribbean Banking	2.44		1.24
Wealth Management	0.12		0.42
Capital Markets	0.07		0.34

(1) PCL in Corporate Support and Other primarily comprised of PCL for loans not yet identified as impaired. For further information, refer to the How we measure and report our business segments section.

(2) Geographic information is based on residence of borrower.

(3) PCL on impaired loans as a % of average net loans and acceptances.

2014 vs. 2013

Total PCL decreased \$73 million, or 6%, from a year ago. The PCL ratio of 27 bps, decreased 4 bps.

PCL in Personal & Commercial Banking increased \$108 million or 11%, and the PCL ratio of 31 bps, increased 1 bp, mainly reflecting higher provisions in our Caribbean portfolio including an additional provision of \$50 million in our impaired residential mortgages portfolio, and higher provisions in our small business portfolio in Canada.

PCL in Wealth Management decreased \$32 million, mainly due to lower provisions on a few accounts.

PCL in Capital Markets decreased \$144 million, as the PCL last year included higher provisions on a few accounts in the technology & media sector in Other International.

Gross impaired loans (GIL) **Table 52**

(Millions of Canadian dollars, except percentage amounts)	2014	2013
Personal & Commercial Banking	\$ 1,913	\$ 1,872
Wealth Management	11	96
Capital Markets	50	229
Investor & Treasury Services	2	3
Corporate Support and Other	1	1
Total GIL	\$ 1,977	\$ 2,201
Canada (1)		
Retail	\$ 659	\$ 729
Wholesale	487	526
GIL	1,146	1,255
U.S. (1)		
Retail	\$ 13	\$ 14
Wholesale	18	98
GIL	31	112
Other International (1)		
Retail	\$ 353	\$ 348
Wholesale	447	486
GIL	800	834
Total GIL	\$ 1,977	\$ 2,201
Impaired loans, beginning balance	\$ 2,201	\$ 2,250
Classified as impaired during the year (new impaired) (2)	1,317	1,769
Net repayments (2)	(228)	(265)
Amounts written off	(1,329)	(1,471)
Other (2), (3)	16	(82)
Impaired loans, balance at end of year	\$ 1,977	\$ 2,201
GIL ratio (4)		
Total GIL ratio	0.44%	0.52%
Personal & Commercial Banking	0.54	0.55
Canadian Banking	0.33	0.36
Caribbean Banking	11.05	9.91
Wealth Management	0.07	0.79
Capital Markets	0.08	0.42

- (1) Geographic information is based on residence of borrower.
(2) Certain GIL movements for Canadian Banking retail and wholesale portfolios are generally allocated to New Impaired, as Return to performing status, Repayments, Sold, and Exchange and other movements amounts are not reasonably determinable. Certain GIL movements for Caribbean Banking retail and wholesale portfolios are generally allocated to Exchange and other movements, as Return to performing status, Repayments, and Sold amounts are not reasonably determinable.
(3) Includes Return to performing status during the year, Recoveries of loans and advances previously written off, Sold, and Exchange and other movements.
(4) GIL as a % of loans and acceptances.

2014 vs. 2013

Total GIL decreased \$224 million or 10% from a year ago. The GIL ratio of 44 bps, decreased 8 bps.

GIL in Personal & Commercial Banking increased \$41 million or 2%, mainly due to higher impaired loans in our Caribbean portfolios, partially offset by lower impaired loans in our Canadian residential mortgages portfolio. The GIL ratio of 54 bps, decreased 1 bp from last year.

GIL in Wealth Management decreased \$85 million, mainly due to write-offs and repayments related to a few accounts.

GIL in Capital Markets decreased \$179 million, primarily due to lower impaired loans in our technology & media, transportation & environment, and financing products sectors, largely reflecting repayments, write-offs and sales.

Allowance for credit losses (ACL) **Table 53**

(Millions of Canadian dollars)	2014	2013
Allowance for impaired loans		
Personal & Commercial Banking	\$ 602	\$ 486
Wealth Management	10	53
Capital Markets	18	58
Investor & Treasury Services	2	2
Total allowance for impaired loans	632	599
Canada (1)		
Retail	\$ 143	\$ 149
Wholesale	160	170
Allowance for impaired loans	303	319
U.S. (1)		
Retail	\$ 1	\$ 2
Wholesale	16	19
Allowance for impaired loans	17	21
Other International (1)		
Retail	\$ 172	\$ 146
Wholesale	140	113
Allowance for impaired loans	312	259
Total allowance for impaired loans	632	599
Allowance for loans not yet identified as impaired	1,453	1,451
Total ACL	\$ 2,085	\$ 2,050

- (1) Geographic information is based on residence of borrower.

2014 vs. 2013

Total ACL increased \$35 million or 2% from a year ago, mainly related to higher ACL in our Caribbean portfolio, partially offset by lower ACL in Wealth Management and Capital Markets.

Market risk

Market risk is defined to be the impact of market prices upon the financial condition of the firm. This includes potential gains or losses due to changes in market determined variables such as interest rates, credit spreads, equity prices, commodity prices, foreign exchange rates and implied volatilities.

The measures of financial condition impacted by market risk, and ways in which market risk manifests itself, are as follows:

1. Positions whose revaluation gains and losses are reported in Revenue, which includes:
 - a) Changes in the fair value of instruments classified or designated as at fair value through profit and loss (FVTPL),
 - b) Impairment on available-for-sale (AFS) securities, and
 - c) Hedge ineffectiveness.
2. CET1 capital, which includes:
 - a) All of the above, plus
 - b) Changes in the fair value of AFS securities where revaluation gains and losses are reported as other comprehensive income,
 - c) Changes in the Canadian dollar value of investments in foreign subsidiaries, net of hedges, due to foreign exchange translation, and
 - d) Remeasurements of employee benefit plans.
3. CET1 Ratio, which includes:
 - a) All of the above, plus
 - b) Changes in risk-weighted assets (RWA) resulting from changes in traded market risk factors, and
 - c) Changes in the Canadian dollar value of RWA due to foreign exchange translation.
4. The economic value of the bank, which includes:
 - a) Points 1 and 2 above, plus
 - b) Changes in the value of other non-trading positions whose value is a function of market risk factors.

Market risk controls – FVTPL positions

As an element of the Enterprise Risk Appetite Framework, the Board of Directors approves the overall market risk constraints for RBC. GRM creates and manages the control structure for FVTPL positions that ensures that business is conducted consistent with Board requirements. The Market and Trading Credit Risk function within GRM is responsible for creating and managing the controls and governance procedures that ensure that risk taken is consistent with risk appetite constraints set by the Board. These controls include limits on:

- (1) Market risk positions;
- (2) Probabilistic measures of potential loss such as Value-at-Risk and Stressed Value-at-Risk defined below, and;
- (3) Scenario based stress tests which utilize both actual historical market scenarios such as the global financial crisis of 2008 and hypothetical scenarios designed to be more forward looking. These stress tests apply severe and long duration stresses to market variables.

Market Risk Positions – are measures of potential loss due to changes in market variables.

Value-at-Risk (VaR) – is a statistical measure of potential loss for a financial portfolio computed at a given level of confidence and over a defined holding period. We measure VaR at the 99th percentile confidence level for price movements over a 1 day holding period using historic simulation of the last two years of equally weighted historic market data. These calculations are updated daily with current risk positions with the exception of CVA and certain other positions which are updated weekly.

Stressed Value-at-Risk (SVaR) – is calculated in an identical manner as VaR with the exception that it is computed using a fixed historical one year period of extreme volatility and its inverse rather than the most recent two year history. The stress period used is the interval from September 2008 through August 2009. Stressed VaR is calculated weekly for all portfolios.

VaR and SVaR are statistical estimates based on historical market data and should be interpreted with knowledge of their limitations – which include the following:

- VaR and SVaR will not be predictive of future losses if the realized market movements differ significantly from the periods used to compute them.
- VaR and SVaR project potential losses over a one day holding period and do not project potential losses for risk positions held over longer time periods.
- VaR and SVaR are measured using positions at close of business and do not include the impact of trading activity over the course of a day.

We validate our VaR and SVaR measures through a variety of means – including subjecting the models to vetting and validation by a group independent of the model developers and by back-testing the VaR against daily marked-to-market revenue to identify and examine events in which actual outcomes in trading revenue exceed the VaR projections.

Stress Tests – Our market risk stress testing program is used to identify and control risk due to large changes in market prices and rates. We conduct stress testing daily on positions that are marked-to-market. The stress tests simulate both historical and hypothetical events which are severe and long term in duration. Historical scenarios are taken from actual market events over the last 30 years and range in duration up to 90 days. Examples include the equity market crash of 1987 and the global financial crisis of 2008. Hypothetical scenarios are designed to be forward looking at potential future market stresses, and are designed to be severe but plausible. We are constantly evaluating and refining these scenarios as market conditions change. Stress results are calculated assuming an instantaneous revaluation of our positions with no management action.

These measures are computed on all positions that are FVTPL for financial reporting purposes, with the exception of those in a designated hedging relationship and those in our insurance businesses.

Market risk measures – FVTPL positions

VaR and SVaR

The following table presents our Market risk VaR and Market risk SVaR figures for 2014 and 2013.

Market Risk VaR*		Table 54							
(Millions of Canadian dollars)	2014					2013			
	For the year ended October 31				As at Oct. 31	For the year ended October 31			As at Oct. 31
	As at Oct. 31	Average	High	Low		Average	High	Low	
Equity	\$ 9	\$ 10	\$ 17	\$ 4	\$ 8	\$ 9	\$ 19	\$ 5	
Foreign exchange	3	2	5	1	5	4	7	1	
Commodities	2	3	7	2	3	3	5	2	
Interest rate	24	27	36	18	38	41	51	36	
Credit specific (1)	8	9	11	6	10	10	12	7	
Diversification (2)	(18)	(21)	(30)	(15)	(23)	(23)	(31)	(16)	
Market risk VaR	\$ 28	\$ 30	\$ 39	\$ 19	\$ 41	\$ 44	\$ 51	\$ 38	
Market risk SVaR	\$ 83	\$ 92	\$ 121	\$ 69	\$ 117	\$ 95	\$ 123	\$ 73	

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

(1) General credit spread risk is measured under interest rate VaR while credit specific risk captures issuer-specific credit spread volatility.

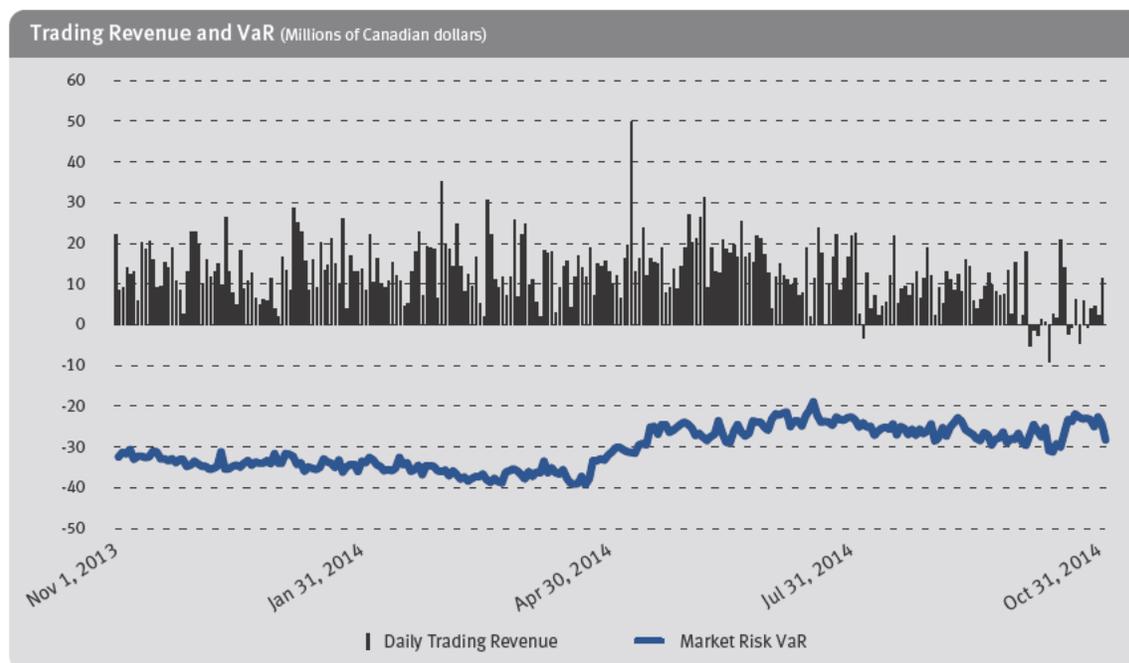
(2) Market risk VaR is less than the sum of the individual risk factor VaR results due to portfolio diversification.

2014 vs. 2013

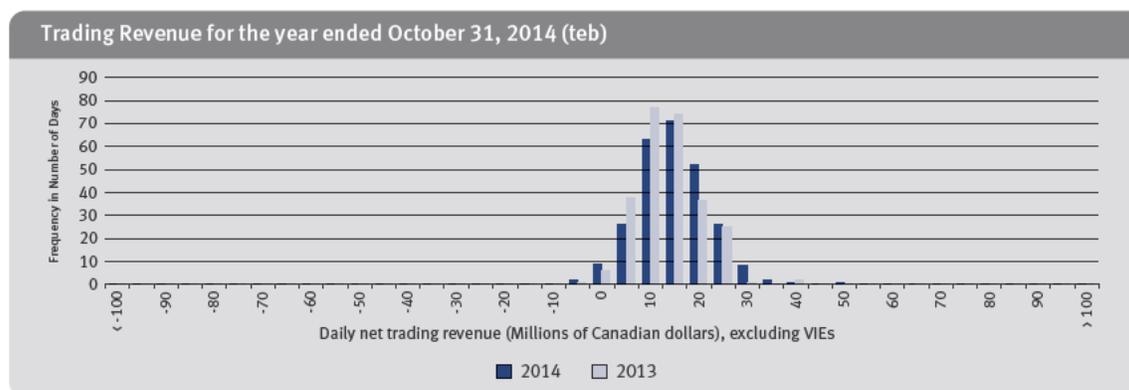
Average market risk VaR of \$30 million was down \$14 million compared to last year, mainly driven by lower risk positions in MBS portfolios and the roll forward of the historical time period used to calculate VaR.

Average SVaR of \$92 million decreased \$3 million compared to last year, largely due to lower risk positions in certain MBS portfolios. The decrease was also a result of the adoption of the provisions of *IFRS 9 Financial Instruments* (IFRS 9) in which changes in the fair value of non-derivative liabilities attributable to changes in our credit risk are no longer reported in revenue and were therefore excluded from our VaR model as of May 1, 2014. The decrease was partially offset by higher risk in fixed income positions whose price behaviour was particularly volatile in the historical period used to calculate SVaR when compared to more recent history, and the impact of foreign exchange translation on foreign-denominated portfolios.

The following chart graphically displays a bar chart of our daily trading profit and loss and a line chart of our daily Market risk VaR for the current year. We incurred net trading losses on eleven days in the year totalling \$46 million, as compared to seven days of losses totalling \$14 million in 2013, with none of the losses exceeding VaR.



The following chart displays the distribution of daily trading profit and loss in 2014. The largest daily reported loss of \$11 million on October 13, 2014 was primarily driven by certain proprietary trading strategies. The largest reported profit was \$50 million with an average daily profit of \$12 million.



Market risk measures for other FVTPL positions – Assets and liabilities of RBC Insurance

We offer a range of insurance products to clients and hold investments to meet the future obligations to policyholders. The investments which support actuarial liabilities are predominantly fixed income assets designated as at FVTPL. Consequently changes in the fair values of these assets are recorded in investment income in the consolidated statements of income and are largely offset by changes in the fair value of the actuarial liabilities, the impact of which is reflected in insurance policyholder benefits and claims. As at October 31, 2014, we had liabilities in respect to insurance obligations of \$8.6 billion and trading securities of \$6.8 billion in support of the liabilities.

Market risk controls – Structural Interest Rate Risk (SIRR) Positions (1)

The asset/liability mismatch of positions not marked-to-market is referred to as SIRR and is subject to a separate set of limits and controls. The Board of Directors approves the overall risk appetite for SIRR, and Asset Liability Committee (ALCO) along with GRM provide oversight for this risk through risk policies, limits, and operating standards. In addition, interest rate risk reports are reviewed regularly by GRM, ALCO, the Group Risk Committee, the Risk Committee of the Board and the Board of Directors.

(1) SIRR positions include impact of derivatives in hedge accounting relationships and AFS securities used for interest rate risk management.

Structural Interest Rate Risk measurement

SIRR measures include the impact of interest rate changes to both one year's net interest income and the instantaneous impact to economic value of equity. These measures are reported on a weekly basis and are subject to limits and controls set by ALCO and GRM.

We further supplement our assessment by measuring interest rate risk for a range of dynamic and static market scenarios. Dynamic scenarios simulate our interest income in response to various combinations of business and market factors. Business factors include assumptions about future pricing strategies and volume and mix of new business, whereas market factors include assumed changes in interest rate levels and changes in the shape of the yield curve. Static scenarios supplement dynamic scenarios and are employed for assessing the risks to the value of equity and net interest income.

As part of our monitoring process, the effectiveness of our interest rate risk mitigation activity is assessed on value and earnings bases, and model assumptions are validated against actual client behavior.

Market risk measures – Structural Interest Rate Positions

The following table provides the potential before-tax impact of an immediate and sustained 100 bps and 200 bps increase or decrease in interest rates on net interest income and economic value of equity of our non-trading portfolio, assuming that no further hedging is undertaken. These measures are based upon assumptions made by senior management and validated by empirical research. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and our risk management actions.

Over the course of 2014, our interest rate risk exposure was within our target level.

Market risk measures – Non-trading banking activities*

Table 55

(Millions of Canadian dollars)	2014						2013		2012	
	Economic value of equity risk			Net interest income risk (2)			Economic value of equity risk	Net interest income risk (2)	Economic value of equity risk	Net interest income risk (2)
	Canadian dollar impact	U.S. dollar impact (1)	Total	Canadian dollar impact	U.S. dollar impact (1)	Total				
Before-tax impact of:										
100bps increase in rates	\$ (910)	\$ (6)	\$ (916)	\$ 402	\$ 12	\$ 414	\$ (540)	\$ 391	\$ (497)	\$ 397
100bps decrease in rates	755	(1)	754	(346)	(2)	(348)	446	(303)	405	(322)
Before-tax impact of:										
200bps increase in rates	(1,893)	(17)	(1,910)	736	27	763	(1,160)	758	(1,005)	842
200bps decrease in rates	1,264	(5)	1,259	(431)	(3)	(434)	799	(398)	651	(370)

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

(1) Represents the impact on the non-trading portfolios held in our U.S. banking operations.

(2) Represents the 12-month Net interest income exposure to an instantaneous and sustained shift in interest rates.

Market risk measures for other material non-trading portfolios

Available for Sale (AFS) Securities

We held \$46 billion of securities classified as AFS as at October 31, 2014, compared to \$38 billion as at October 31, 2013. We hold debt securities designated as AFS primarily as investments and to manage interest rate risk in our non-trading banking activity. Certain legacy debt portfolios are also classified as AFS. As at October 31, 2014, our portfolio of AFS securities exposes us to interest rate risk of a pre-tax loss of \$6.9 million as measured by the change in the value of the securities for a one basis point parallel increase in yields. The portfolio also exposes us to credit spread risk of a pre-tax loss of \$11.2 million, as measured by the change in value for a one basis point widening of credit spreads. Changes in the value of these securities are reported in other comprehensive income. Our available-for-sale securities also include equity exposures of \$1.7 billion as at October 31, 2014, which is unchanged compared to last year.

Derivatives in hedge accounting relationships

Derivative assets in a designated hedge accounting relationship of \$2.0 billion as at October 31, 2014 were unchanged from last year, and derivative liabilities of \$837 million as at October 31, 2014 were down from \$931 million last year. We use interest rate swaps to manage our structural interest rate risk, as described above. To the extent these swaps are considered effective hedges, changes in their fair value are recognized in other comprehensive income. The interest rate risk for the designated cash flow hedges, measured as the change in the value of the derivatives for a one basis point parallel increase in yields, was \$3.6 million as of October 31, 2014.

We also use interest rate swaps to hedge changes in the fair value of certain fixed-rate instruments. Changes in fair value of the interest rate swaps and the hedged instruments that are related to interest rate movements are reflected in income.

We also use foreign exchange derivatives to manage our exposure to equity investments in subsidiaries that are denominated in foreign currencies, particularly the U.S. dollar and British pound. Changes in the fair value of these hedges and the cumulative translation adjustment related to our structural foreign exchange risk are reported in other comprehensive income.

Non-trading foreign exchange rate risk

Foreign exchange rate risk is the potential adverse impact on earnings and economic value due to changes in foreign currency rates. Our revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations as a result of changes in the value of the average Canadian dollar relative to the average value of those currencies. Our most significant exposure is to the U.S. dollar due to our level of operations in the U.S., and other activities conducted in U.S. dollars. Other significant exposures are to the British pound and the Euro due to our activities conducted internationally in these currencies. A strengthening or weakening of the Canadian dollar compared to the U.S. dollar, British pound and the Euro could reduce or increase, as applicable, the translated value of our foreign currency denominated revenue, expenses and earnings and could have a significant effect on the results of our operations. We are also exposed to foreign exchange rate risk arising from our investments in foreign operations. For un-hedged equity investments, when the Canadian dollar appreciates against other currencies, the unrealized translation losses on net foreign investments decreases our shareholders' equity through the other components of equity and decreases the translated value of the RWA of the foreign currency-denominated operations. The reverse is true when the Canadian dollar depreciates against other currencies. Consequently, we consider these impacts in selecting an appropriate level of our investments in foreign operations to be hedged.

Our overall trading and non-trading market risk objectives, policies and methodologies have not changed significantly from 2013.

Linkage of market risk to selected balance sheet items

The following table provides the linkages between selected balance sheet items with positions included in our trading market risk and non-trading market risk disclosures, which illustrates how we manage market risk for our assets and liabilities through different risk measures.

Linkage of market risk to selected balance sheet items

Table 56

(Millions of Canadian dollars)	As at October 31, 2014			
	Balance sheet amount	Market risk measure		Non-traded risk primary risk sensitivity
		Traded risk (1)	Non-traded risk (2)	
Assets subject to market risk				
Cash and due from banks (3)	\$ 17,421	\$ 10,840	\$ 6,581	Interest rate
Interest-bearing deposits with banks (4)	8,399	5,642	2,757	Interest rate
Securities				
Trading (5)	151,380	144,607	6,773	Interest rate, credit spread
Available-for-sale (6)	47,768	–	47,768	Interest rate, credit spread, equity
Assets purchased under reverse repurchase agreements and securities borrowed (7)	135,580	135,444	136	Interest rate
Loans				
Retail (8)	334,987	16,614	318,373	Interest rate
Wholesale (9)	102,236	427	101,809	Interest rate
Allowance for loan losses	(1,994)	–	(1,994)	Interest rate
Segregated fund net assets (10)	675	–	675	Interest rate
Derivatives	87,402	83,981	3,421	Interest rate, foreign exchange
Other assets (11)	49,878	14,098	35,780	Interest rate
Assets not subject to market risk (12)	6,818			
Total assets	\$ 940,550	\$ 411,653	\$ 522,079	
Liabilities subject to market risk				
Deposits (13)	\$ 614,100	\$ 116,348	\$ 497,752	Interest rate
Segregated fund liabilities (14)	675	–	675	Interest rate
Other				
Obligations related to securities sold short	50,345	50,345	–	
Obligations related to assets sold under repurchase agreements and securities loaned (15)	64,331	64,210	121	Interest rate
Derivatives	88,982	87,145	1,837	Interest rate, foreign exchange
Other liabilities (16)	51,190	14,756	36,434	Interest rate
Subordinated debentures	7,859	–	7,859	Interest rate
Liabilities not subject to market risk (17)	8,565			
Total liabilities	\$ 886,047	\$ 332,804	\$ 544,678	
Total equity	\$ 54,503			
Total liabilities and equity	\$ 940,550			

(1) Traded risk includes FVTPL positions whose revaluation gains and losses are reported in revenue. Market risk measures of VaR, SVaR and Stress testing are used as risk controls for traded risk.

(2) Non-traded risk includes positions used in the management of the SIRR and other non-trading portfolios. Other material non-trading portfolios include positions from our Insurance business and AFS securities not included in SIRR.

The following footnotes provide additional information on the Non-traded risk amounts:

(3) Cash and due from banks includes \$5,494 million included in SIRR. An additional \$1,087 million is included in other risk controls.

(4) Interest-bearing deposits with banks of \$2,757 million are included in SIRR.

(5) Trading securities include \$6,761 million in securities used in the management of the SIRR of RBC Insurance, which is not included in our disclosed SIRR measure.

(6) Available-for-sale securities of \$44,403 million are included in SIRR. An additional \$3,365 million are held by our insurance businesses that do not contribute to our disclosed SIRR measures and certain legacy assets.

(7) Assets purchased under reverse repurchase agreements include \$136 million reflected in SIRR.

(8) Retail loans include \$318,376 million reflected in SIRR.

(9) Wholesale loans include \$100,646 million reflected in SIRR. An additional \$1,163 million is used in the management of the SIRR of RBC Insurance.

(10) Investments for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.

(11) Other assets include \$33,309 million reflected in SIRR. An additional \$2,471 million is used in the management of the SIRR of RBC Insurance.

(12) Other assets include \$6,818 million of physical and other assets that are not subject to market risk.

(13) Deposits include \$497,747 million reflected in SIRR. An additional \$5 million is used in the management of the SIRR of RBC Insurance.

(14) Insurance and investment contracts for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.

(15) Obligations related to assets sold under repurchase agreements include \$121 million reflected in SIRR.

(16) Other liabilities include \$9,324 million used in the management of the SIRR of RBC Insurance, and \$27,110 million contribute to our SIRR measure.

(17) Other liabilities include \$8,565 million of payroll related and other liabilities that are not subject to market risk.

As at October 31, 2013

(Millions of Canadian dollars)	Balance sheet amount	Market risk measure		Non-traded risk primary risk sensitivity
		Traded risk (1)	Non-traded risk (2)	
Assets subject to market risk				
Cash and due from banks (3)	\$ 15,550	\$ 8,202	\$ 7,348	Interest rate
Interest-bearing deposits with banks (4)	9,039	2,833	6,206	Interest rate
Securities				
Trading (5)	144,023	137,718	6,305	Interest rate, credit spread
Available-for-sale (6)	38,687	–	38,687	Interest rate, credit spread, equity
Assets purchased under reverse repurchase agreements and securities borrowed (7)	117,517	116,703	814	Interest rate
Loans				
Retail (8)	320,627	16,168	304,459	Interest rate
Wholesale (9)	90,182	387	89,795	Interest rate
Allowance for loan losses	(1,959)	–	(1,959)	Interest rate
Segregated fund net assets (10)	513	–	513	Interest rate
Derivatives	74,822	71,678	3,144	Interest rate, foreign exchange
Other assets (11)	43,999	12,631	31,368	Interest rate
Assets not subject to market risk (12)	6,745			
Total assets	\$ 859,745	\$ 366,320	\$ 486,680	
Liabilities subject to market risk				
Deposits (13)	\$ 563,079	\$ 105,313	\$ 457,766	Interest rate
Segregated fund liabilities (14)	513	–	513	Interest rate
Other				
Obligations related to securities sold short	47,128	47,128	–	
Obligations related to assets sold under repurchase agreements and securities loaned (15)	60,416	60,147	269	Interest rate
Derivatives	76,745	75,368	1,377	Interest rate, foreign exchange
Other liabilities (16)	46,265	12,962	33,303	Interest rate
Subordinated debentures	7,443	–	7,443	Interest rate
Liabilities not subject to market risk (17)	8,696			
Total liabilities	\$ 810,285	\$ 300,918	\$ 500,671	
Total equity	\$ 49,460			
Total liabilities and equity	\$ 859,745			

- (1) Traded risk includes FVTPL positions whose revaluation gains and losses are reported in revenue. Market risk measures of VaR, SVaR and Stress testing are used as risk controls for traded risk.
- (2) Non-traded risk includes positions used in the management of the SIRR and other non-trading portfolios. Other material non-trading portfolios include positions from our Insurance business and AFS securities not included in SIRR.
- The following footnotes provide additional information on the Non-traded risk amounts:
- (3) Cash and due from banks includes \$6,396 million included in SIRR. An additional \$952 million is included in other risk controls.
- (4) Interest-bearing deposits with banks of \$6,206 million are included in SIRR.
- (5) Trading securities include \$5,863 million in securities used in the management of the SIRR of RBC Insurance, which is not included in our disclosed SIRR measure.
- (6) Available-for-sale securities of \$34,307 million are included in SIRR. An additional \$4,380 million are held by our insurance businesses that do not contribute to our SIRR measures and certain legacy assets.
- (7) Assets purchased under reverse repurchase agreements include \$814 million reflected in SIRR.
- (8) Retail loans include \$304,459 million reflected in SIRR.
- (9) Wholesale loans include \$88,765 million reflected in SIRR. An additional \$1,030 million is used in the management of the SIRR of RBC Insurance.
- (10) Investments for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.
- (11) Other assets include \$28,756 million reflected in SIRR. An additional \$2,612 million is used in the management of the SIRR of RBC Insurance.
- (12) Other assets include \$6,745 million of physical and other assets that are not subject to market risk.
- (13) Deposits include \$457,766 million reflected in SIRR.
- (14) Insurance and investment contracts for the account of segregated fund holders are included in the management of the SIRR of RBC Insurance.
- (15) Obligations related to assets sold under repurchase agreements include \$269 million reflected in SIRR.
- (16) Other liabilities include \$8,735 million used in the management of the SIRR of RBC Insurance, and \$24,568 million contribute to our SIRR measure.
- (17) Other liabilities include \$8,696 million of payroll related and other liabilities that are not subject to market risk.

Liquidity and funding risk

Liquidity and funding risk (liquidity risk) is the risk that we may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet our commitments as they come due. The nature of banking services inherently exposes us to various types of liquidity risk. The most common sources of liquidity risk arise from mismatches in the timing and value of cash inflows and outflows, both from on- and off-balance sheet exposures.

Our liquidity position is structured to satisfy our current and prospective commitments in normal business conditions, and in conjunction with our capital position, to maintain safety and soundness in times of stress. To achieve these goals, we operate under a comprehensive Liquidity Management Framework and employ key liquidity risk mitigation strategies that include the maintenance of:

- An appropriate balance between the level of exposure allowed under our risk appetite given the potential impact of extreme but plausible events and the cost of its mitigation;
- Broad funding access, including preserving and promoting a reliable base of core client deposits, ongoing access to diversified sources of wholesale funding and demonstrated capacities to monetize specific asset classes;
- A comprehensive enterprise-wide liquidity contingency plan that is supported by unencumbered marketable securities; and
- Appropriate and transparent liquidity transfer pricing and cost allocation.

Our liquidity management policies, practices and processes reinforce these risk mitigation strategies. In managing liquidity risk, we favour a centralized management approach to the extent possible given the various considerations outlined in this section.

Our liquidity risk objectives, policies and methodologies have not changed materially from 2013. However, certain limits and risk practices have been modified as a result of market conditions and to align with local regulatory developments and to position ourselves for the prospective Basel III regulatory liquidity standards. We continue to maintain liquidity and funding that is appropriate for the execution of our strategy. Liquidity risk remains well within our risk appetite.

Regulatory environment

We continue to monitor and, as appropriate, modify our risk policies, practices and processes to align with regulatory developments and to position ourselves for prospective regulatory reforms, such as the Basel III regulatory liquidity standards established by the BCBS and supported by OSFI and other jurisdictions. The BCBS liquidity standards include minimum requirements for two regulatory measures, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). In January 2013, the BCBS released its final rules for LCR, with phased timelines for compliance, starting with a minimum of 60% coverage in 2015 and increasing by 10% annually to 100% in 2019. In January 2014, the BCBS released its final paper on “Liquidity coverage ratio disclosure standards”. Banks are expected to comply with the BCBS LCR disclosure standards beginning in the first full fiscal quarter of calendar 2015 (Q2 for Canadian banks). In October 2014, the BCBS issued the final standard for NSFR and banks are required to meet the minimum standard by January 1, 2018. Disclosure standards for the NSFR are currently being developed by the BCBS and a consultative document is expected to be released by the end of the year.

In May 2014, OSFI issued the final version of the “Liquidity Adequacy Requirements (LAR) Guideline”. The objective of this guideline is to describe the methodologies supporting a series of liquidity metrics that will be used by OSFI to assess the liquidity adequacy of an institution. The LAR guideline converts the BCBS liquidity requirements (including the LCR and NSFR liquidity metrics together with monitoring tools) into OSFI guidance as well as formalizing use of the OSFI-designed Net Cumulative Cash Flow (NCCF) as a supervisory tool. The LAR guideline contains modified assumptions and parameters for NCCF which OSFI originally introduced in 2010. Of note in the LAR guideline is that, while the LCR implementation date of January 2015 is consistent with the BCBS requirement, there will be no phase-in period as the minimum LCR requirement for Canadian institutions at that date will be 100% compared to the minimum 60% coverage as prescribed by the BCBS. Implementation of the formal version of NCCF and other liquidity monitoring tools will also be January 2015. Intraday monitoring tools will be implemented by 2017. In July 2014, OSFI issued its guideline setting out the public disclosure requirements regarding the LCR for D-SIBs which is consistent with the international standards established by the BCBS final rules published earlier this year. We prepare a NCCF report for OSFI on a monthly basis and are submitting monthly LCR and quarterly NSFR results to OSFI as well as Quantitative Impact Study reports on LCR and NSFR for OSFI and BCBS twice a year.

In August 2014, the Government of Canada’s Department of Finance released its bail-in consultation paper “Taxpayer Protection and Bank Recapitalization Regime”. Bail-in regimes are being implemented in a number of jurisdictions following the 2008 financial crisis in an effort to limit taxpayer exposure to potential losses of a failing institution and ensure the institution’s shareholders and creditors remain responsible for bearing such losses. The proposed regime applies only to D-SIBs and focuses on a specific range of liabilities and excludes deposits. For further details, refer to the Legal and regulatory environment risk section.

Risk measurement

To monitor and control risk within appropriate tolerances, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions. Risk methodologies and underlying assumptions are periodically reviewed and validated to ensure alignment with our operating environment, expected economic and market conditions, rating agency preferences, regulatory requirements and accepted practices. Liquidity risk is measured using contractual maturity dates for some assets and liabilities (e.g., wholesale lending and funding) and effective maturity for others. In the effective maturity approach, the liquidity value of assets and liabilities is determined based on observed behavioural or market-based patterns unrelated to contractual maturity. For example, effective maturity may be shorter than contractual maturity if the demonstrated behaviour of the asset suggests that it can be monetized before maturity. Effective maturity for a liability may be longer than contractual maturity if the demonstrated behaviour of the liability suggests that it will be extended or rolled over at maturity. Specific examples include government bonds for assets as they can be quickly and reliably monetized and relationship-based deposits for liabilities where a significant portion is typically assigned core value although contractual maturity dates may be quite short or even legally characterized as available on demand (conversely, demand loans display attributes of longer term assets and are treated accordingly from an effective maturity perspective). Internally derived assumptions consider all relevant material and available data, information and methods of quantifying liquidity risk. We measure and manage our liquidity position from three risk perspectives as follows:

Structural (longer-term) liquidity risk

We use cash capital and other structural metrics, which focus on mismatches in effective maturity between all assets and liabilities, to measure and control balance sheet risk and to assist in the determination of our term funding strategy. Stressed conditions are considered, including a protracted loss of access to longer term unsecured wholesale deposits that fund illiquid assets.

Tactical (shorter-term) liquidity risk

We apply net cash flow limits in Canadian dollar and foreign currencies for key short-term time horizons (overnight to nine weeks) under various stages of stress and assign a risk-adjusted limit to our aggregate pledging exposure and individual limits by types of pledging activities to measure our shorter-term liquidity exposures. Net cash flow positions are derived from application of internally generated risk assumptions and parameters to known and anticipated cash flows for all material unencumbered assets, liabilities and off-balance sheet activities. Pledged assets are not considered a source of available liquidity. We also control this risk by adhering to group-wide and unit-specific prescribed regulatory standards.

Contingency liquidity risk

Contingency liquidity risk management assesses the impact of and our intended responses to sudden stressful events. Our liquidity contingency plan, maintained and administered by Corporate Treasury, guides our actions and responses to liquidity crises. The Liquidity Crisis Team, consisting of senior representatives with relevant subject matter expertise from key business segments and Corporate Support, contributes to the development of stress tests and funding plans and meets regularly to assess our liquidity status, conduct stress tests and review liquidity contingency preparedness.

Our stress tests, which include elements of scenario and sensitivity analyses, are based on models that measure our potential exposure to global, country-specific and RBC-specific events (or combinations thereof) and consider both historical and hypothetical events over a nine-week period consistent with our internal tactical liquidity risk measure and our view of the most critical time span for such events. Different levels of severity are considered for each type of crisis with some scenarios reflecting multiple notch downgrades to our credit ratings. Key tests are run monthly, while others are run quarterly. The frequency of review is determined by considering a combination of likelihood and impact.

In a particularly acute short-term crisis or if a crisis was to extend over a number of months, actions would be taken to supplement liquidity available from our earmarked contingency asset pool by limiting cash and collateral outflows and by accessing new sources of liquidity and funding; for example, through sales of liquid assets and securitization and, in extraordinary circumstances, sales of core assets. As well, in light of our current credit ratings and well-developed market relationships and access, it is expected that even under extreme but plausible scenarios, we would continue to be able to access wholesale funding markets, albeit possibly at reduced overall capacity, higher costs and for shorter average maturities.

While we also have potential access to various normal course and emergency central bank lending facilities in Canada, the U.S. and Europe, such facilities are not considered a source of funding in our contingency planning for scenarios identified as extreme but plausible.

After reviewing test results, the liquidity contingency plan and other liquidity risk management practices and limits may be modified accordingly. The risk of more prolonged crises is addressed through measures of structural liquidity risk that assume stress conditions.

Our liquid assets consist primarily of a diversified pool of highly rated and liquid marketable securities and include segregated portfolios (in both Canadian and U.S. dollars) of contingency liquidity assets to address potential on- and off-balance sheet liquidity exposures (such as deposit erosion, loan drawdowns and higher collateral demands), that have been sized through models we have developed or by the scenario analyses and stress tests we conduct periodically. These portfolios are subject to minimum asset quality levels and, as appropriate, other strict eligibility guidelines (e.g., maturity, diversification and eligibility for central bank advances) to maximize ready access to cash in emergencies. Examples of assets held in these portfolios include U.S. and Canadian federal government treasury bills and bonds, U.S. Agency bonds, U.S. and Canadian government guaranteed and sponsored entity bonds, other highly rated foreign sovereign bonds and their guaranteed debt, supranational bonds and Canadian provincial bonds. Our total pool of unencumbered liquid assets, whether held specifically for contingency liquidity purposes or for investment or trading activities, would be available during times of crisis as sources of liquidity, either via outright sale or to obtain secured funding.

Risk Profile

As at October 31, 2014, relationship-based deposits, which are the primary source of funding for retail loans and mortgages, were \$394 billion or 54% of our total funding (October 31, 2013 – \$359 billion or 54%). Funding for highly liquid assets during the year consisted primarily of a range of shorter-term wholesale funding that reflects the purpose and expected monetization period of these assets. This wholesale funding comprised unsecured short-term liabilities of \$74 billion and secured (repos and short sales) liabilities of \$126 billion, and represented 10% and 17% of total funding as at October 31, 2014, respectively (October 31, 2013 – \$67 billion and \$111 billion or 10% and 17% of total funding, respectively). Long-term wholesale funding is mostly used to fund less liquid wholesale assets. Additional quantitative information is provided in the following Funding section.

As at October 31, 2014, we held earmarked contingency liquidity assets of \$12 billion, of which \$7 billion was in U.S. currency and \$5 billion was in Canadian currency (October 31, 2013 – \$12 billion of which \$7 billion was in U.S. currency and \$5 billion was in Canadian currency). During the year ended October 31, 2014, we held on average \$12 billion, of which \$7 billion was in U.S. currency and \$5 billion was in Canadian currency (October 31, 2013 – \$10 billion of which \$5 billion was in U.S. currency and \$5 billion was in Canadian currency). We also held a derivatives pledging liquid asset buffer of US\$4 billion as at October 31, 2014 to mitigate the volatility of our net pledging requirements for derivatives trading (October 31, 2013 – US\$4 billion). This buffer averaged US\$4 billion during the year ended October 31, 2014 (October 31, 2013 – US\$2 billion).

As recommended by the EDTF, the following tables provide summaries of our liquidity reserve and asset encumbrance. Unencumbered assets represent, for the most part, a ready source of funding that can be accessed quickly, when required. In the Liquidity reserve table, available liquid assets consist of on-balance sheet cash and securities holdings as well as securities received as collateral from securities financing (reverse repos and off-balance sheet collateral swaps) and derivative transactions and constitute the preferred source for quickly accessing liquidity. The other component of our liquidity reserve consists primarily of uncommitted and undrawn central bank credit facilities that could be accessed under exceptional circumstances provided certain pre-conditions could be met and where advances could be supported by eligible assets (e.g. certain unencumbered loans) not included in the liquid assets category. The Asset encumbrance table provides a comprehensive view of the assets available to the Bank, not just the liquidity reserve, and identifies assets already pledged as well as those available for use as collateral (including unencumbered assets from the Liquidity reserve table) for secured funding purposes. Less liquid assets such as mortgages and credit card receivables can in part be monetised although requiring more lead times relative to liquid assets. As at October 31, 2014, our assets available as collateral comprised 66% of our total liquid assets. For the purpose of constructing the following tables, encumbered assets include: (i) bank-owned liquid assets that are either pledged as collateral (e.g., repo financing and derivative pledging) or not freely available due to regulatory or internal policy requirements (e.g., earmarked to satisfy mandatory reserve or local capital adequacy requirements and to maintain continuous access to payment and settlement systems); (ii) securities received as collateral from securities financing and derivative transactions which have either been re-hypothecated where permissible (e.g., to obtain financing through repos or to cover securities sold short) or have no liquidity value since re-hypothecation is prohibited; and (iii) illiquid assets that have been securitized and sold into the market or that have been pledged as collateral in support of structured term funding vehicles. We do not include encumbered assets as a source of available liquidity in measuring liquidity risk. Unencumbered assets are the difference between total and encumbered assets from both on- and off-balance sheet sources.

	As at October 31, 2014				
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
(Millions of Canadian dollars)					
Cash and holding at central banks	\$ 18,656	\$ –	\$ 18,656	\$ 1,054	\$ 17,602
Deposits in other banks available overnight	3,855	–	3,855	333	3,522
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks (2), (3)	204,409	16,626	221,035	104,335	116,700
Other (2)	112,878	21,346	134,224	59,345	74,879
Liquidity assets eligible at central banks (not included above) (4)	62	–	62	–	62
Undrawn credit lines granted by central banks (5)	8,372	–	8,372	–	8,372
Other assets eligible as collateral for discount (6)	125,627	–	125,627	–	125,627
Other liquid assets (7)	11,887	–	11,887	11,887	–
Total liquid assets	\$ 485,746	\$ 37,972	\$ 523,718	\$ 176,954	\$ 346,764

	As at October 31, 2013 (8)				
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
(Millions of Canadian dollars)					
Cash and holding at central banks	\$ 12,711	\$ –	\$ 12,711	\$ 980	\$ 11,731
Deposits in other banks available overnight	3,767	–	3,767	287	3,480
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks (2), (3)	202,007	15,470	217,477	103,446	114,031
Other (2)	83,008	20,509	103,517	51,921	51,596
Liquidity assets eligible at central banks (not included above) (4)	60	–	60	–	60
Undrawn credit lines granted by central banks (5)	6,345	–	6,345	–	6,345
Other assets eligible as collateral for discount (6)	123,778	–	123,778	–	123,778
Other liquid assets (7)	11,678	–	11,678	11,678	–
Total liquid assets	\$ 443,354	\$ 35,979	\$ 479,333	\$ 168,312	\$ 311,021

	As at	
	October 31 2014	October 31 2013 (8)
(Millions of Canadian dollars)		
Royal Bank of Canada	\$ 221,007	\$ 198,989
Foreign branches	47,570	37,619
Subsidiaries	78,187	74,413
Total unencumbered liquid assets	\$ 346,764	\$ 311,021

- (1) Information is provided from an enterprise-wide perspective and amounts shown are based on face value. In managing liquidity risk, we consider legal, regulatory, tax and other constraints that may impede transferability of liquidity among RBC units.
- (2) The Bank-owned liquid assets amount includes securities owned outright by the bank or acquired via on-balance sheet securities finance transactions.
- (3) Includes liquid securities issued by provincial governments and U.S. government sponsored entities working under U.S. Federal government's conservatorship (e.g. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation).
- (4) Includes Auction Rate Securities.
- (5) Includes loans that qualify as eligible collateral for the discount window facility available to us at the Federal Reserve Bank of New York. Amounts are face value and would be subject to collateral margin requirements applied by the Federal Reserve Bank to determine collateral value/borrowing capacity. Access to the discount window borrowing program is conditional on meeting requirements set by the Federal Reserve Bank and borrowings are typically expected to be infrequent and due to uncommon occurrences requiring temporary accommodation.
- (6) Represents our unencumbered Canadian dollar non-mortgage loan book (at face value) that could, subject to satisfying conditions precedent to borrowing and application of prescribed collateral margin requirements, be pledged to the Bank of Canada for advances under its Emergency Lending Assistance (ELA) program. ELA and other central bank facilities are not considered sources of available liquidity in our normal liquidity risk profile but could in extraordinary circumstances, where normal market liquidity is seriously impaired, allow us and other banks to monetize assets eligible as central bank collateral to meet requirements and mitigate further market liquidity disruption.
- (7) Represents pledges related to OTC and exchange traded derivative transactions.
- (8) Amounts have been revised from those previously presented.

2014 vs. 2013

Total liquid assets increased \$44 billion or 9%, largely attributable to client financing through reverse repo and changes to client reverse repo collateral mix, while trading inventories grew from a combination of asset growth and valuations, and liquid asset buffers expanded.

(Millions of Canadian dollars)	As at									
	October 31 2014					October 31 2013 (6)				
	Encumbered		Unencumbered			Encumbered		Unencumbered		
	Pledged as collateral	Other (2)	Available as collateral (3)	Other (4)	Total (5)	Pledged as collateral	Other (2)	Available as collateral (3)	Other (4)	Total (5)
Cash and due from banks	\$ 243	\$ 1,054	\$ 15,839	\$ 285	\$ 17,421	\$ 204	\$ 980	\$ 14,082	\$ 284	\$ 15,550
Interest-bearing deposits with banks	90	–	8,309	–	8,399	83	–	8,956	–	9,039
Securities										
Trading	64,467	–	85,698	1,215	151,380	54,923	–	88,012	1,088	144,023
Available-for-sale	7,781	57	37,802	2,128	47,768	7,496	48	31,016	127	38,687
Assets purchased under reverse repurchase agreements and securities borrowed	111,056	–	68,044	8,432	187,532	104,878	–	53,779	3,925	162,582
Loans										
Retail										
Mortgage securities	37,441	–	29,042	–	66,483	44,229	–	19,190	–	63,419
Mortgage loans	26,589	–	–	126,185	152,774	22,750	–	–	123,069	145,819
Non-mortgage loans	8,915	–	97,223	9,592	115,730	8,174	–	94,365	8,850	111,389
Wholesale	–	–	36,777	65,459	102,236	–	–	35,758	54,424	90,182
Allowance for loan losses	–	–	–	(1,994)	(1,994)	–	–	–	(1,959)	(1,959)
Segregated fund net assets	–	–	–	675	675	–	–	–	513	513
Other – Derivatives	–	–	–	87,402	87,402	–	–	–	74,822	74,822
– Others (7)	11,887	–	–	44,809	56,696	11,678	–	–	39,066	50,744
Total assets	\$ 268,469	\$ 1,111	\$ 378,734	\$344,188	\$992,502	\$ 254,415	\$ 1,028	\$ 345,158	\$304,209	\$904,810

- (1) Information is provided from an enterprise-wide perspective and amounts shown are based on face value. In managing liquidity risk, we consider legal, regulatory, tax and other constraints that may impede transferability of liquidity among RBC units.
- (2) Includes assets restricted from use to generate secured funding due to legal or other constraints.
- (3) Includes loans that could be used to collateralize central bank advances. Our unencumbered Canadian dollar non-mortgage loan book (at face value) could, subject to satisfying conditions precedent to borrowing and application of prescribed collateral margin requirements, be pledged to the Bank of Canada for advances under its ELA program. We also lodge loans that qualify as eligible collateral for the discount window facility available to us at the Federal Reserve Bank of New York. ELA and other central bank facilities are not considered sources of available liquidity in our normal liquidity risk profile but could in extraordinary circumstances, where normal market liquidity is seriously disrupted, allow us and other banks to monetize assets eligible as central bank collateral to meet requirements and mitigate market liquidity dislocations.
- (4) Other unencumbered assets are not subject to any restrictions on their use to secure funding or as collateral but would not be considered readily available since they may not be acceptable at central banks or other for other lending programs.
- (5) Includes bank-owned liquid assets and securities received as collateral from off-balance sheet securities financing and derivative transactions.
- (6) Amounts have been revised from those previously presented.
- (7) The Pledged as collateral amounts relate to OTC and exchange traded derivative transactions.

Other sources of liquidity that could be available to mitigate stressed conditions include: (i) our unused wholesale funding capacity, which is regularly assessed using an established methodology that is periodically reviewed and, as necessary, revised, and (ii) central bank borrowing facilities if, in extraordinary circumstances, market sources were not sufficient to allow us to monetize our assets available as collateral to meet our requirements (e.g., Bank of Canada, Federal Reserve Bank, Bank of England, and Bank of France).

Risk control

The Board of Directors annually approves delegation of liquidity risk authorities to senior management. The Risk Committee of the Board annually approves the Liquidity Management Framework and the Pledging Policy and is responsible for its oversight. The Board of Directors, the Risk Committee, GRC and ALCO review, on a regular basis, reporting on our enterprise-wide liquidity position and status. The GRC, the Policy Review Committee (PRC) and/or ALCO also review liquidity documents prepared for the Board of Directors or its committees. The PRC and ALCO annually approve the Liquidity Management Framework's key supporting documents and provide strategic direction and primary management oversight to Corporate Treasury, GRM, other functions and business platforms in the area of liquidity risk management. To maximize funding and operational efficiencies, we monitor and manage our liquidity position on a consolidated basis and for key units taking into account market, legal, regulatory, tax, operational and any other applicable restrictions that may impede transferability of liquidity between RBC units. This includes analyzing our ability to lend or borrow funds between branches and subsidiaries, and converting funds between currencies. The outcome of this analysis is considered in liquidity metrics and our Recovery Plan.

Policies

Our principal liquidity policies define risk tolerance parameters. They authorize senior management committees, Corporate Treasury or GRM to approve more detailed policies and limits that govern management, measurement and reporting requirements for specific businesses and products.

Authorities and limits

Limits for our structural liquidity risk positions are approved at least annually and monitored regularly. Net cash flow limits are approved at least annually. Depending on the significance of each reporting entity, net cash flow limits are monitored daily or weekly by major currency, branches, subsidiaries and geographic locations. Any potential exceptions to established limits are reported immediately to Corporate Treasury and GRM, who provide or arrange for approval where appropriate after reviewing remedial action plans.

The liquidity factors for cash flow assets and liabilities under varying conditions are reviewed periodically by Corporate Treasury, GRM and the business segments to determine if they remain valid or changes to assumptions and limits are required. Through this process, we ensure that a close link is maintained between the management of liquidity risk, market liquidity risk and credit risk, including GRM approval of credit lines between entities. In response to our experience during periods of market volatility over the past six years, we have modified the liquidity treatment of certain asset classes to reflect changes in market liquidity. Where required, limits are reduced in consideration of the results of stress tests.

Funding

Funding strategy

Core funding, comprising capital, longer-term wholesale liabilities and a diversified pool of personal and, to a lesser extent, commercial and institutional deposits, is the foundation of our structural liquidity position.

Deposit profile

During 2014, we continued to focus on building our core deposit base. Our relationship-based deposits, including our personal deposit franchise and our commercial and institutional client groups, maintain balances with relatively low volatility profiles and constitute our principal source of reliable funding. Reflecting deposit insurance and at times, exclusive relationships with us, these balances represent a highly stable source of core deposits in most circumstances as they are typically less reactive to market developments than those from transactional lenders and investors. Core deposits consist of our own statistically derived liquidity adjusted estimates of the highly stable portions of our relationship-based balances (demand, notice and fixed-term) together with wholesale funds maturing beyond one year and as at October 31, 2014 represented 69% of our total deposits (2013 – 70%). Over the past year, core deposit balances have increased by 10%, generally keeping pace with the growth in our total deposits. Core deposit growth was driven predominantly by growth in relationship-based deposits and to a lesser extent by issuance of longer-term wholesale funding. For further details on the gross dollar amounts of our relationship-based deposits and our wholesale funding maturity schedule, refer to the Risk profile section and the following Composition of wholesale funding table, respectively.

Long-term debt issuance

During 2014, we continued to experience more favourable unsecured wholesale funding access and pricing compared to many of our global peers. As demonstrated in the following table, we also continued to expand our unsecured long-term funding base by selectively issuing, either directly or through our subsidiaries, \$24 billion of term funding in various currencies and markets. Total unsecured long-term funding outstanding increased by \$12 billion.

We use residential mortgage and credit card and auto receivable-backed securitization programs as alternative sources of funding and for liquidity and asset/liability management purposes. Our total secured long-term funding includes outstanding MBS sold, covered bonds that are collateralized with residential mortgages, and credit card and auto receivables.

Compared to 2013, our outstanding MBS sold decreased \$7 billion while our covered bonds and credit card and auto receivables increased \$5 billion and \$1 billion, respectively.

For further details, refer to the Off-balance sheet arrangements section.

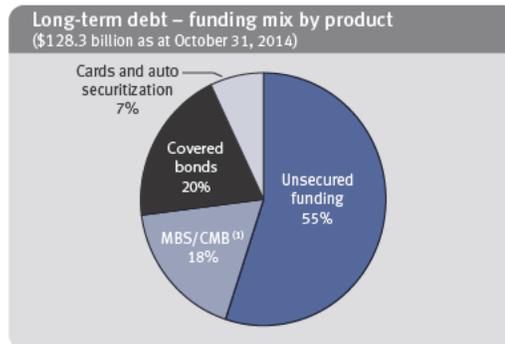
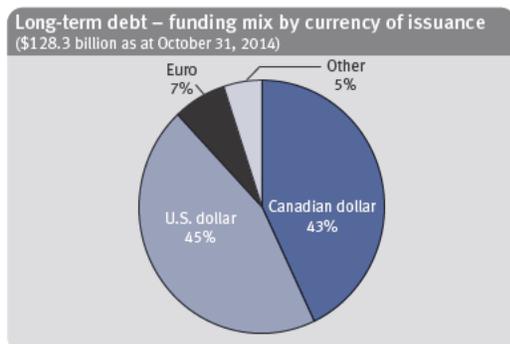
	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars)		
Unsecured long-term funding	\$ 82,033	\$ 69,903
Secured long-term funding	57,996	59,285
Commercial mortgage-backed securities sold	1,330	1,304
Subordinated debentures	7,832	7,408
	\$ 149,191	\$ 137,900

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

Our wholesale funding activities are well-diversified by geography, investor segment, instrument, currency, structure and maturity. We maintain an ongoing presence in different funding markets, which allows us to continuously monitor market developments and trends, identify opportunities and risks, and take appropriate and timely actions. We operate longer-term debt issuance registered programs. The following table summarizes these programs with their authorized limits by geography.

Canada	U.S.	Europe/Asia
<ul style="list-style-type: none"> Canadian Shelf – \$15 billion 	<ul style="list-style-type: none"> SEC Registered – US\$25 billion SEC Registered Covered Bonds – US\$12 billion 	<ul style="list-style-type: none"> European Debt Issuance Program – US\$40 billion Covered Bond Program – Euro 23 billion Japanese Issuance Programs – JPY 1 trillion

We also raise long-term funding using Canadian Deposit Notes, Canadian NHA MBS, Canada Mortgage Bonds, credit card receivable-backed securities, Kangaroo Bonds (issued in the Australian domestic market by foreign firms) and Yankee Certificates of Deposit (issued in the U.S. domestic market by foreign firms). We continuously evaluate expansion into new markets and untapped investor segments against relative issuance costs since diversification expands our wholesale funding flexibility and minimizes funding concentration and dependency, and generally reduces financing costs. As presented in the following charts, our current long-term debt profile is well diversified by currency as well as by type of long-term funding products. Maintaining competitive credit ratings is also critical to cost-effective funding.



(1) Mortgage-backed securities and Canada Mortgage Bonds

The following table provides our composition of wholesale funding and represents our enhanced disclosure in response to EDTF recommendations.

Composition of wholesale funding (1)

Table 61

(Millions of Canadian dollars)	As at October 31, 2014							
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Less than 1 year sub-total	1 year to 2 years	2 years and greater	Total
Deposits from banks (2)	\$ 3,034	\$ 277	\$ 11	\$ 19	\$ 3,341	\$ –	\$ –	\$ 3,341
Certificates of deposit and commercial paper	859	4,411	10,880	12,873	29,023	2,746	–	31,769
Asset-backed commercial paper (3)	518	1,320	1,835	4,114	7,787	–	–	7,787
Senior unsecured medium-term notes (4)	592	4,573	3,341	3,970	12,476	16,809	38,254	67,539
Senior unsecured structured notes (5)	336	578	458	1,058	2,430	597	4,729	7,756
Mortgage securitization	58	699	950	1,435	3,142	3,751	16,395	23,288
Covered bonds/asset-backed securities (6)	761	22	2,391	2,635	5,809	6,934	20,246	32,989
Subordinated liabilities	200	–	–	1,500	1,700	1,500	4,632	7,832
Other (7)	3,203	51	596	1,111	4,961	42	3,963	8,966
Total	\$ 9,561	\$ 11,931	\$ 20,462	\$ 28,715	\$ 70,669	\$ 32,379	\$ 88,219	\$ 191,267
Of which:								
– Secured	\$ 4,455	\$ 2,041	\$ 5,176	\$ 8,184	\$ 19,856	\$ 10,685	\$ 36,641	\$ 67,182
– Unsecured	5,106	9,890	15,286	20,531	50,813	21,694	51,578	124,085

(Millions of Canadian dollars)	As at October 31, 2013							
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Less than 1 year sub-total	1 year to 2 years	2 years and greater	Total
Deposits from banks (2)	\$ 1,820	\$ 164	\$ 10	\$ 354	\$ 2,348	\$ –	\$ –	\$ 2,348
Certificates of deposit and commercial paper	549	3,350	17,122	9,969	30,990	2,088	624	33,702
Asset-backed commercial paper (3)	–	626	1,586	1,717	3,929	–	–	3,929
Senior unsecured medium-term notes (4)	–	2,333	3,162	4,608	10,103	9,771	35,670	55,544
Senior unsecured structured notes (5)	274	283	565	808	1,930	828	3,131	5,889
Mortgage securitization	758	2,477	4,078	2,040	9,353	2,845	18,251	30,449
Covered bonds/asset-backed securities (6)	54	94	132	213	493	6,007	21,761	28,261
Subordinated liabilities	1,000	–	–	600	1,600	1,700	4,121	7,421
Other (7)	4,401	55	163	1,148	5,767	–	3,390	9,157
Total	\$ 8,856	\$ 9,382	\$ 26,818	\$ 21,457	\$ 66,513	\$ 23,239	\$ 86,948	\$ 176,700
Of which:								
– Secured	\$ 5,040	\$ 3,197	\$ 5,796	\$ 3,970	\$ 18,003	\$ 8,852	\$ 40,011	\$ 66,866
– Unsecured	3,816	6,185	21,022	17,487	48,510	14,387	46,937	109,834

(1) Excludes bankers' acceptances.

(2) Only includes deposits raised by treasury. Excludes deposits associated with services we provide to these banks (e.g., custody, cash management).

(3) Only includes consolidated liabilities, including our collateralized commercial paper program.

(4) Includes deposit notes.

(5) Includes notes where the payout is tied to movements in foreign exchange, commodities and equities.

(6) Includes credit card, auto and mortgages.

(7) Includes tender option bonds (secured) of \$3,118 million (October 31, 2013 – \$4,227 million), bearer deposit notes (unsecured) of \$2,215 million (October 31, 2013 – \$1,540 million) and other long-term structured deposits (unsecured) of \$3,633 million (October 31, 2013 – \$3,390 million).

Contractual maturities of financial assets, financial liabilities and off-balance sheet items

The following tables provide remaining contractual maturity profiles of all our assets, liabilities, and off-balance sheet items at their carrying value (i.e. amortized cost or fair value) at the balance sheet date and have been enhanced in response to EDTF recommendations. Off-balance sheet items are allocated based on the expiry date of the contract.

Details of contractual maturities and commitments to extend funds are a source of information for the management of liquidity risk. Among other purposes, these details form a basis for modeling a behavioural balance sheet with effective maturities to calculate liquidity risk measures. For further details, refer to the Risk measurement section.

Contractual maturities of financial assets, financial liabilities and off-balance sheet items

Table 62

(Millions of Canadian dollars)	As at October 31, 2014									
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 2 years	2 years to 5 years	5 years and greater	With no specific maturity	Total
Assets										
Cash and deposits with banks	\$ 22,871	\$ 218	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,731	\$ 25,820
Securities										
Trading (1)	94,025	13	65	55	48	229	558	5,236	51,151	151,380
Available-for-sale	4,450	3,739	2,528	433	1,113	3,417	18,307	11,959	1,822	47,768
Assets purchased under reverse repurchase agreements and securities borrowed	54,860	24,728	28,241	8,261	10,361	2,142	–	–	6,987	135,580
Loans (net of allowance for loan losses)	19,260	10,776	7,490	14,961	16,081	73,788	176,063	29,787	87,023	435,229
Other										
Customers' liability under acceptances	6,218	2,013	399	433	2,393	–	6	–	–	11,462
Derivatives	4,145	7,275	3,483	2,673	1,909	8,507	21,331	38,071	8	87,402
Other financial assets	18,729	672	585	169	106	245	281	828	828	22,443
Total financial assets	\$ 224,558	\$ 49,434	\$ 42,791	\$ 26,985	\$ 32,011	\$ 88,328	\$ 216,546	\$ 85,881	\$ 150,550	\$ 917,084
Other non-financial assets	1,847	779	679	409	52	589	1,637	2,302	15,172	23,466
Total assets	\$ 226,405	\$ 50,213	\$ 43,470	\$ 27,394	\$ 32,063	\$ 88,917	\$ 218,183	\$ 88,183	\$ 165,722	\$ 940,550
Liabilities and equity										
Deposits (2)										
Unsecured borrowing	\$ 31,190	\$ 22,626	\$ 27,372	\$ 18,602	\$ 21,581	\$ 39,693	\$ 49,523	\$ 9,727	\$ 310,045	\$ 530,359
Secured borrowing	561	2,715	2,950	5,331	4,786	9,753	21,099	10,135	–	57,330
Covered bonds	748	–	2,558	–	–	4,908	14,556	3,641	–	26,411
Other										
Acceptances	6,218	2,013	399	433	2,393	–	6	–	–	11,462
Obligations related to securities sold short	50,345	–	–	–	–	–	–	–	–	50,345
Obligations related to assets sold under repurchase agreements and securities loaned	58,208	1,252	1,306	1,051	574	–	–	–	1,940	64,331
Derivatives	3,745	6,997	3,845	3,351	2,042	10,345	22,295	36,359	3	88,982
Other financial liabilities	18,094	1,121	492	170	298	309	530	4,033	357	25,404
Subordinated debentures	200	–	–	–	–	–	–	7,659	–	7,859
Total financial liabilities	\$ 169,309	\$ 36,724	\$ 38,922	\$ 28,938	\$ 31,674	\$ 65,008	\$ 108,009	\$ 71,554	\$ 312,345	\$ 862,483
Other non-financial liabilities	1,454	2,970	674	57	78	917	2,456	7,956	7,002	23,564
Equity	–	–	–	–	–	–	–	–	54,503	54,503
Total liabilities and equity	\$ 170,763	\$ 39,694	\$ 39,596	\$ 28,995	\$ 31,752	\$ 65,925	\$ 110,465	\$ 79,510	\$ 373,850	\$ 940,550
Off-balance sheet items										
Financial guarantees	\$ 646	\$ 2,391	\$ 2,289	\$ 1,982	\$ 2,970	\$ 1,325	\$ 5,292	\$ 254	\$ 59	\$ 17,208
Lease commitments	58	114	167	165	161	634	1,220	1,291	–	3,810
Commitments to extend credit	1,660	6,352	7,329	6,806	8,513	19,768	108,250	11,539	2,299	172,516
Other commitments	127	420	575	879	2,578	289	984	263	62,319	68,434
Total off-balance sheet items	\$ 2,491	\$ 9,277	\$ 10,360	\$ 9,832	\$ 14,222	\$ 22,016	\$ 115,746	\$ 13,347	\$ 64,677	\$ 261,968

(1) Trading debt securities classified as fair value through profit or loss have been included in the less than 1 month category as there is no expectation to hold these assets to their contractual maturity.

(2) A major portion of relationship-based deposits are repayable on demand or at short notice on a contractual basis while, in practice, these customer balances form a core base, as explained in the preceding Deposit profile section, for our operations and liquidity needs.

As at October 31, 2013

(Millions of Canadian dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 year to 2 years	2 years to 5 years	5 years and greater	With no specific maturity	Total
Assets										
Cash and deposits with banks	\$ 12,989	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 11,600	\$ 24,589
Securities										
Trading (1)	93,407	40	19	40	38	249	534	4,507	45,189	144,023
Available-for-sale	3,420	4,641	1,268	796	1,116	2,452	10,021	13,140	1,833	38,687
Assets purchased under reverse repurchase agreements and securities borrowed (2)	59,226	10,653	18,506	6,268	10,207	1,543	–	–	11,114	117,517
Loans (net of allowance for loan losses) (2)	14,489	9,689	6,136	10,459	19,614	45,686	181,766	30,918	90,093	408,850
Other										
Customers' liability under acceptances	5,224	1,621	470	254	2,384	–	–	–	–	9,953
Derivatives	2,349	5,028	2,338	2,353	1,627	6,284	21,056	33,786	1	74,822
Other financial assets	16,082	847	754	114	122	270	447	639	575	19,850
Total financial assets	\$ 207,186	\$ 32,519	\$ 29,491	\$ 20,284	\$ 35,108	\$ 56,484	\$ 213,824	\$ 82,990	\$ 160,405	\$ 838,291
Other non-financial assets	1,273	453	311	147	741	406	1,341	2,227	14,555	21,454
Total assets	\$ 208,459	\$ 32,972	\$ 29,802	\$ 20,431	\$ 35,849	\$ 56,890	\$ 215,165	\$ 85,217	\$ 174,960	\$ 859,745
Liabilities and equity										
Deposits (3)										
Unsecured borrowing (2)	\$ 22,556	\$ 16,258	\$ 27,847	\$ 11,422	\$ 14,107	\$ 52,027	\$ 46,194	\$ 10,830	\$ 281,237	\$ 482,478
Secured borrowing (2)	812	3,800	6,685	3,656	4,265	7,190	21,667	11,218	–	59,293
Covered bonds	–	–	–	–	–	3,226	14,612	3,470	–	21,308
Other										
Acceptances	5,224	1,621	470	254	2,384	–	–	–	–	9,953
Obligations related to securities sold short	47,128	–	–	–	–	–	–	–	–	47,128
Obligations related to assets sold under repurchase agreements and securities loaned	53,389	1,991	1,308	877	290	1,500	–	–	1,061	60,416
Derivatives	3,021	5,233	2,569	2,536	2,312	11,365	17,739	31,970	–	76,745
Other financial liabilities (2)	17,123	875	692	268	344	383	662	3,969	123	24,439
Subordinated debentures	–	–	–	–	–	217	–	7,226	–	7,443
Total financial liabilities	\$ 149,253	\$ 29,778	\$ 39,571	\$ 19,013	\$ 23,702	\$ 75,908	\$ 100,874	\$ 68,683	\$ 282,421	\$ 789,203
Other non-financial liabilities (2)	1,606	2,834	686	114	135	1,085	1,692	7,349	5,581	21,082
Equity	–	–	–	–	–	–	–	–	49,460	49,460
Total liabilities and equity	\$ 150,859	\$ 32,612	\$ 40,257	\$ 19,127	\$ 23,837	\$ 76,993	\$ 102,566	\$ 76,032	\$ 337,462	\$ 859,745
Off-balance sheet items										
Financial guarantees	\$ 392	\$ 1,341	\$ 2,336	\$ 1,938	\$ 2,985	\$ 2,295	\$ 4,113	\$ 141	\$ 51	\$ 15,592
Lease commitments	62	122	181	179	173	662	1,389	1,346	–	4,114
Commitments to extend credit	3,757	6,843	4,780	6,488	7,320	18,031	91,288	13,615	1,044	153,166
Other commitments	156	405	444	799	2,292	371	585	169	57,749	62,970
Total off-balance sheet items	\$ 4,367	\$ 8,711	\$ 7,741	\$ 9,404	\$ 12,770	\$ 21,359	\$ 97,375	\$ 15,271	\$ 58,844	\$ 235,842

(1) Trading debt securities classified as fair value through profit or loss have been included in the less than 1 month category as there is no expectation to hold these assets to their contractual maturity.

(2) Amounts have been revised from those previously presented.

(3) A major portion of relationship-based deposits are repayable on demand or at short notice on a contractual basis while, in practice, these customer balances form a core base, as explained in the preceding Deposit profile section, for our operations and liquidity needs.

Contractual maturities of financial liabilities and off-balance sheet items – undiscounted basis

The following tables provide remaining contractual maturity analysis of our financial liabilities and off-balance sheet items. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (i.e. par value or amount payable upon maturity). The amounts do not reconcile directly with those in our consolidated balance sheets as the table only incorporates cash flows relating to payments on maturity of the instrument and do not recognize premiums, discounts or mark-to-market adjustments recognized in the instruments' carrying value as at the balance sheet date. Financial liabilities are based upon the earliest period in which they are required to be paid. For off-balance sheet items, the undiscounted cash flows potentially payable under financial guarantees and commitments to extend credit are classified on the basis of the earliest date they can be called.

(Millions of Canadian dollars)	As at October 31, 2014					
	On demand	Within 1 year	1 year to 2 years	2 years to 5 years	5 years and greater	Total
Financial liabilities						
Deposits (1)	\$ 289,204	\$ 161,953	\$ 54,385	\$ 84,609	\$ 22,967	\$ 613,118
Other						
Acceptances	–	11,456	–	6	–	11,462
Obligations related to securities sold short	–	50,345	–	–	–	50,345
Obligations related to assets sold under repurchase agreements and securities loaned	1,941	62,391	–	–	–	64,332
Other liabilities	358	20,174	309	530	4,013	25,384
Subordinated debentures	–	200	–	–	7,632	7,832
	291,503	306,519	54,694	85,145	34,612	772,473
Off-balance sheet items						
Financial guarantees (2)	5,883	11,206	111	7	1	17,208
Operating leases	–	665	634	1,220	1,291	3,810
Commitments to extend credit (2)	137,696	34,819	1	–	–	172,516
	143,579	46,690	746	1,227	1,292	193,534
Total financial liabilities and off-balance sheet items	\$ 435,082	\$ 353,209	\$ 55,440	\$ 86,372	\$ 35,904	\$ 966,007

(Millions of Canadian dollars)	As at October 31, 2013					
	On demand	Within 1 year	1 year to 2 years	2 years to 5 years	5 years and greater	Total
Financial liabilities						
Deposits (1), (3)	\$ 264,287	\$ 128,206	\$ 62,267	\$ 81,738	\$ 25,534	\$ 562,032
Other						
Acceptances (3)	–	9,953	–	–	–	9,953
Obligations related to securities sold short	–	47,128	–	–	–	47,128
Obligations related to assets sold under repurchase agreements and securities loaned	1,061	57,855	1,500	–	–	60,416
Other liabilities (3)	123	19,277	350	678	4,095	24,523
Subordinated debentures	–	–	200	–	7,208	7,408
	265,471	262,419	64,317	82,416	36,837	711,460
Off-balance sheet items						
Financial guarantees (2)	5,850	9,550	178	14	–	15,592
Operating leases	–	717	662	1,389	1,346	4,114
Commitments to extend credit (2)	117,753	35,413	–	–	–	153,166
	123,603	45,680	840	1,403	1,346	172,872
Total financial liabilities and off-balance sheet items	\$ 389,074	\$ 308,099	\$ 65,157	\$ 83,819	\$ 38,183	\$ 884,332

* This table represents an integral part of our 2014 Annual Consolidated Financial Statements.

- (1) A major portion of relationship-based deposits are repayable on demand or at short notice on a contractual basis while, in practice, these customer balances form a core base, as explained in the preceding Deposit profile section, for our operations and liquidity needs.
- (2) We believe that it is highly unlikely that all or substantially all of these guarantees and commitments will be drawn or settled within one year, and contracts may expire without being drawn or settled. The management of the liquidity risk associated with potential extensions of funds is outlined in the preceding Risk measurement section.
- (3) Amounts have been revised from those previously presented.

Credit ratings

Our ability to access unsecured funding markets and to engage in certain collateralized business activities on a cost-effective basis are primarily dependent upon maintaining competitive credit ratings. Credit ratings and outlooks provided by rating agencies reflect their views and are based on their methodologies. Ratings are subject to change from time to time, based on a number of factors including, but not limited to, our financial strength, competitive position and liquidity and other factors not completely within our control.

On January 24, 2014, Fitch Ratings affirmed our ratings with a stable outlook along with the other six largest Canadian banks.

On June 11, 2014, Moody's affirmed our long-term ratings and revised our outlook to negative from stable along with the other six largest Canadian banks. The outlook revisions are linked to Moody's view that risks for the Canadian banks' senior debt holders and uninsured depositors have shifted to the downside as a result of previously announced plans by the Canadian government to implement a bail-in regime for domestic systemically important banks and the accelerating global trends towards reducing the public cost of future bank resolutions through such burden-sharing.

On July 7, 2014, DBRS affirmed our ratings with a stable outlook along with the other five largest Canadian banks.

On December 2, 2014, Standard & Poor's (S&P) affirmed our ratings with a negative outlook. On August 8, 2014, S&P revised our outlook to negative from stable along with the other five largest Canadian banks to reflect the possible impact of a bail-in policy proposal from the Canadian federal government, which was released on August 1, 2014.

For further details on the proposed bail-in regime, refer to the Legal and regulatory environment risk section.

The following table presents our major credit ratings⁽¹⁾ and outlooks as at December 2, 2014:

Credit ratings		Table 64	
As at December 2, 2014 ⁽²⁾			
	Short-term debt	Senior long-term debt	Outlook
Moody's	P-1	Aa3	negative ⁽³⁾
Standard & Poor's	A-1+	AA-	negative ⁽⁴⁾
Fitch Ratings	F1+	AA	stable
Dominion Bond Rating Services	R-1(high)	AA	stable

- (1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation inasmuch as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them, and are subject to revision or withdrawal at any time by the rating organization.
- (2) On August 19, 2014, Kroll Bond Rating Agency affirmed our senior long-term and short-term debt and deposit ratings of AA and K1+, respectively, with a stable outlook. These ratings were unsolicited and we did not participate in the rating process.
- (3) On June 11, 2014, Moody's revised our outlook to negative from stable for our supported senior debt and uninsured deposit ratings.
- (4) On August 8, 2014, Standard & Poor's revised our outlook to negative from stable, reflecting the possible impact of a bail-in policy proposal from the Canadian federal government.

Additional contractual obligations for rating downgrades

A lowering of our credit rating may have potentially adverse consequences for our funding capacity or access to the capital markets, may also affect our ability, and the cost, to enter into normal course derivative or hedging transactions and may require us to post additional collateral under certain contracts. However, we estimate, based on periodic reviews of ratings triggers embedded in our existing businesses and of our funding capacity sensitivity, that a minor downgrade would not significantly influence our liability composition, funding access, collateral usage and associated costs. The following table presents the additional collateral obligations required at the reporting date in the event of a one-, two- or three-notch downgrade to our credit ratings. These additional collateral obligations are incremental requirements for each successive downgrade and do not represent the cumulative impact of multiple downgrades. The amounts reported change periodically as a result of several factors, including the transfer of trading activity to centrally cleared financial market infrastructures and exchanges, the expiration of transactions with downgrade triggers, the imposition of internal limitations on new agreements to exclude downgrade triggers, as well as normal course mark to market of positions with collateralized counterparties moving from a negative to a positive position. There is no outstanding senior debt issued in the market that contains rating triggers which would lead to early prepayment of principal.

Additional contractual obligations for rating downgrades

Table 65

	As at					
	October 31 2014			October 31 2013		
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
(Millions of Canadian dollars)						
Contractual derivatives funding or margin requirements	\$ 518	\$ 143	\$ 790	\$ 616	\$ 171	\$ 762
Other contractual funding or margin requirements ⁽¹⁾	396	62	–	490	187	95

- (1) Includes GICs issued by our municipal markets business out of New York and London.

Insurance risk

Insurance risk refers to the potential financial loss that may arise where the amount, timing and/or frequency of benefit payments under insurance and reinsurance contracts are different than expected. Insurance risk does not include other risks covered by other parts of our risk management framework (e.g., credit, market, and operational risk) where those risks are ancillary to, or accompany the risk transfer.

We have implemented an Insurance Risk Framework that provides an overview of our program for identifying, assessing, managing, and reporting on the insurance risks that face the organization. Key processes and tools have been developed to support and enhance risk management, including: Own Risk and Solvency Assessment (ORSA), insurance risk appetite, Comprehensive Identification and Assessment of Risk (CIAR), insurance risk delegated authorities and risk limits, model risk management, stress testing, experience studies, actuarial liabilities, and reinsurance. Insurance risk policies and procedures have also been established to define the requirements for managing product, pricing, underwriting, and claims management risk.

Regulatory compliance risk

Regulatory compliance risk is the risk of potential non-conformance with laws, rules, regulations, prescribed practices, contracts or ethical standards in any jurisdiction in which we operate. Issues regarding compliance with laws and regulations can arise in a number of areas in a large complex financial institution such as RBC, and are often the result of inadequate or failed internal processes, people or systems.

Laws and regulations are in place to protect the financial and other interests of our clients, investors and the public. As a large scale global financial institution, we are subject to numerous laws and to extensive and evolving regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Canada, the U.S., Europe and other jurisdictions in which we operate. In recent years such regulation has become increasingly extensive and complex. In addition, the enforcement of regulatory matters has intensified. Recent resolution of such matters involving other global financial institutions have involved the payment of substantial penalties, agreements with respect to future operation of their business, actions with respect to relevant personnel and guilty pleas with respect to criminal charges.

Operating in this increasingly complex regulatory environment and intense regulatory enforcement environment, we are and have been subject to a variety of legal proceedings, including civil claims and lawsuits, regulatory examinations, investigations, audits and requests for information by various governmental regulatory agencies and law enforcement authorities in various jurisdictions, and we anticipate that our ongoing business activities will give rise to such matters in the future. Changes to laws, including tax laws, regulations or regulatory policies, as well as the changes in how they are interpreted, implemented or enforced, could adversely affect us, for example by lowering barriers to entry in the businesses in which we operate, increasing our costs of compliance or limiting our activities and ability to execute our strategic plans. Further, there is no assurance that we always will be or will be deemed to be in compliance with laws, regulations or regulatory policies. Accordingly, it is possible that we could receive a judicial or regulatory judgment or decision that results in fines, damages, penalties, and other costs or injunctions, convictions or loss of licenses or registrations that would damage our reputation and negatively impact our earnings. In addition, we are subject to litigation arising in the ordinary course of our business and the adverse resolution of any litigation could have a significant adverse effect on our results or could give rise to significant reputational damage, which in turn could impact our future business prospects. Global compliance has developed a Regulatory Compliance Management Framework consistent with regulatory expectations from OSFI and other regulators. The framework is designed to manage and mitigate the regulatory compliance risks associated with failing to comply with, or adapt to, current and changing laws and regulations in the jurisdictions in which we operate. Regulatory compliance risk has been further defined as risks associated with money laundering, bribery, privacy, market conduct, consumer protection, and business conduct. Specific compliance policies, procedures, and supporting frameworks have been developed to support the minimum requirements for the prudent management of regulatory compliance risk. Within the framework there are five elements that form a cycle by which all regulatory compliance risk management programs are developed, implemented and maintained. The first element is intended to ensure our regulatory compliance programs evolve alongside our business activities and operations. The second element is intended to ensure regulatory compliance risks are identified and assessed appropriately so regulatory compliance programs are designed in a manner to most effectively meet regulatory requirements. The third element relates to the design and implementation of specific controls. The fourth element is intended to ensure appropriate monitoring and oversight of the effectiveness of the controls. Lastly, the fifth element is intended to ensure the timely escalation and resolution of issues, and clear and transparent reporting. This is a critical step in enabling senior management and the Board of Directors to effectively perform their management and oversight responsibilities.

Operational risk

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk is embedded in all our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit or market risk.

Three Lines of Defence

Operational risk follows our established Three Lines of Defence governance model. This model encompasses the organizational roles and responsibilities for a coordinated enterprise-wide approach for the management of operational risk. For further details, refer to the Risk management – Enterprise risk management section.

Operational Risk Framework

We have put in place an Operational Risk Framework which is founded on the principles of our Enterprise Risk Management Framework and sets out the processes to identify, assess and monitor operational risk. The processes are established through the following core programs:

- Internal events – Internal events are specific instances where operational risk leads to or could have led to an unintended, identifiable impact. The internal events program provides a structured and consistent approach for collecting and analyzing internal event data to facilitate the analysis of the operational risk events affecting RBC. This program enables learnings based on “what has happened to us” and supports the articulation of the operational risk appetite.
- External events – External events are operational risk events that affect institutions other than RBC. External event monitoring and analysis is critical to gain awareness of operational risk experience within the industry and to identify emerging industry trends.
- Business Environment and Internal Control Factors (BEICF) Assessments – BEICF Assessments are conducted to improve business decision-making by gaining awareness of the key risks and the strengths and vulnerabilities of internal controls. Key BEICF Assessment processes include: Risk and Control Assessments conducted at both enterprise and business levels; and Change Initiatives and New/Amended Product Assessments conducted to ensure understanding of the risk and reward trade-off for business initiatives (e.g., new products, acquisitions, changes in business processes, implementation of new technology, etc.).
- Scenario analysis – Scenario analysis is a structured and disciplined process for making reasonable assessments of infrequent, yet plausible, severe operational risk events. Understanding how vulnerable RBC is to such “tail risks” identifies mitigating actions and informs the determination of related operational risk thresholds as part of the articulation of operational risk appetite.
- BEICF monitoring – BEICF monitoring is conducted on an ongoing basis through Key Risk Indicators (KRIs) and other assurance/monitoring programs (e.g., Business Unit monitoring, Centres of Governance monitoring, audit results, etc.).

Conclusions from the operational risk programs are used to inform the overall level of exposure to operational risk, which defines our operational risk profile. The profile includes significant operational risk exposures, potential new and emerging exposures and trends, and overall conclusions on the control environment and risk outlook. We proactively identify and investigate corporate insurance opportunities to mitigate and reduce potential future impacts of operational risk.

We consider risk/reward decisions in striking the balance between accepting potential losses versus incurring costs of mitigation, the expression of which is in the form of our operational risk appetite. Our operational risk appetite is established at the board level and cascaded throughout each of our business segments.

Management reports have been implemented at various levels of RBC in order to support proactive management of operational risk and transparency of risk exposures. Reports are provided on a regular basis and provide detail on the main drivers of the risk status and trend for each of our business segments and RBC overall. In addition, changes to the operational risk profile that are not aligned to our business strategy or operational risk appetite are identified and discussed.

Operational risk capital

We currently use the Standardized Approach to calculate operational risk capital requirements and the allocation of capital amongst our business units. We are in the process of attaining accreditation towards the Basel II Advanced Measurement Approach (AMA) as the approved

regulatory capital methodology. Output from capital modeling will provide further transparency around the materiality of key risks by quantifying the expected losses and unexpected losses.

Operational risk loss events

During 2014, we did not experience any material operational risk loss event. For further details on our contingencies, including litigation, refer to Notes 26 and 27 of our 2014 Annual Consolidated Financial Statements.

Strategic risk

Strategic risk is the risk that the enterprise or particular business areas will make inappropriate strategic choices, or will be unable to successfully implement selected strategies or related plans and decisions. Business strategy is the major driver of our risk profile and consequently the strategic choices we make in terms of business mix determine how our risk profile changes.

Responsibility for selecting and successfully implementing business strategies is mandated to the individual heads of the businesses. Oversight of strategic risk is the responsibility of the heads of the business segments, the Enterprise Strategy Office, GE, and the Board of Directors. Management of strategic risk is supported by the Enterprise Strategy Group as per the Enterprise Strategic Planning Policy.

For details on the key strategic priorities for our business segments, refer to the Business segment results section.

Reputation risk

Reputation risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in the loss of business, legal action or increased regulatory oversight.

Reputation risk can arise from a number of events and primarily occurs in connection with credit risk, regulatory, legal and operational risks and failure to maintain strong risk conduct. Operational failures and non-compliance with laws and regulations can have a significant reputational impact on us.

We have put in place a Reputation Risk Framework which provides an overview of our approach to the management of this risk. It focuses on our organizational responsibilities, and controls in place to mitigate reputation risks.

The following principles guide our management of reputation risk:

- We must operate with integrity at all times in order to sustain a strong and positive reputation.
- Protecting our reputation is the responsibility of all our employees, including senior management, and extends to all members of the Board of Directors.

Legal and regulatory environment risk

Certain regulatory reforms will impact the way in which we operate, both in Canada and abroad, and the full impact of some of these reforms on our business will not be known until final rules are implemented and market practices have developed in response. We continue to respond to these and other developments and are working to minimize any potential adverse business or economic impact. The following regulatory reforms have potential to increase our operational, compliance, and technology costs and adversely affect our profitability.

Basel Committee on Banking Supervision global standards for capital and liquidity reform (Basel III)

The Basel Committee's standards for capital and liquidity (commonly referred to as "Basel III") establish minimum requirements for common equity, increased capital requirements for counterparty credit exposures, a new global leverage ratio and measures to promote the build up of capital that can be drawn down in periods of stress. Banks around the world continue to adopt these new standards in accordance with domestic implementation.

In January 2013, the BCBS released final rules for the short-term liquidity standard, the LCR, with implementation commencing in 2015. Subsequently in October 2014, the BCBS released final rules for the long-term liquidity standard, the NSFR, with implementation commencing in 2018. For further details on how our business may be impacted, refer to the Liquidity and funding risk section.

In January 2014, the BCBS released final rules for the global leverage requirement, which takes effect as a 3% minimum supplemental capital requirement on January 1, 2018. For further details on how our business may be impacted, refer to the Capital management section.

During the year, U.S. regulators approved final rules to apply a U.S. based supplemental leverage requirement and LCR requirement to large banking organizations operating in the U.S. We anticipate subsequent rules will be introduced to apply U.S.-specific LCR and leverage requirements to our U.S. Intermediate Holding Company and U.S. branch network (see below for further details).

Basel III requirements are being implemented in the European Union through a revised Capital Requirements Directive (CRD IV) and accompanying Capital Requirements Regulation (CRR), both of which became effective January 1, 2014 and are to be phased-in gradually through 2019. CRD IV/CRR also introduces improvements to the transparency of activities of banks and investment funds in different countries, adds a host of governance standards (including standards for executive compensation and bonuses, board oversight of risk and board diversity), and implements a common reporting framework for regulatory reporting. These changes may also result in higher capital requirements for our European subsidiaries.

Dodd-Frank – Volcker Rule

On December 10, 2013 U.S. authorities finalized section 619 of the *Dodd-Frank Act* relating to broad prohibitions and restrictions on proprietary trading and certain banking entity relationships with hedge funds and private equity funds (the "Volcker Rule"). The final Volcker Rule extended the general compliance deadline to July 21, 2015 and provided some flexibility for foreign institutions as it relates to activities conducted outside the U.S. The Rule impacts our global activities as its reach extends to the Bank and each of its subsidiaries and affiliates (subject to certain exceptions). The majority of our trading businesses will continue to be permissible under the Rule and we are in the process of building the requisite monitoring program and reporting metrics to demonstrate compliance. We have exited or are in the process of exiting certain activities that cannot be restructured to comply with the Rule. For a limited number of business activities, we are continuing discussions with regulators and others in the industry in order to assess the best means of restructuring those activities to comply with the Rule. The combined impact of these changes is not expected to materially affect our overall results.

Dodd-Frank – Enhanced Supervision of Foreign Banking Organizations

On February 18, 2014, the U.S. Federal Reserve finalized their new oversight regime for non-U.S. banks with subsidiaries, affiliates and branches operating in the U.S. (the “*Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations*”), pursuant to section 165 of the *Dodd-Frank Act*. The rule is intended to address the perceived systemic risk that large foreign banks could pose to the U.S. financial markets. As a foreign banking organization with more than US\$50 billion in U.S. non-branch assets, RBC is required to establish a separately capitalized U.S. Intermediate Holding Company (the IHC), into which all of our U.S. legal entities must be placed and for which certain U.S.-based requirements will apply. The IHC will be subject to Federal Reserve oversight comparable to U.S. bank holding companies. As a result, changes to our existing practices will be required to provide the governance and infrastructure needed to support these U.S.-specific requirements in areas of financial reporting, capital and liquidity, risk management, and stress testing. In addition, there will be limitations on capital distributions from the IHC to RBC, and such distributions will be subject to supervisory approval. The requirements will be phased in between 2015 and 2018, with RBC needing to form its IHC by July 1, 2016. An implementation plan outlining our approach for meeting these requirements including forming the IHC must be filed with the Federal Reserve by January 1, 2015. The Federal Reserve has stated that it plans to issue, at a later date, separate rules to apply early remediation requirements and limits on exposures to single counterparties. The final rule also deferred application of U.S.-based leverage requirements, which differ from the Basel III leverage ratio, to January 1, 2018. RBC will incur costs to comply with these additional U.S. based financial reporting, risk management and governance requirements (both initially and on an ongoing basis) and we may have less flexibility in our capital and liquidity structures which historically have been managed on a global (vs. regional) basis. These impacts are not expected to materially affect our financial performance or overall results.

Canadian bail-in regime

On August 1, 2014, the Government of Canada proposed a “bail-in” regime for the six D-SIBs. Bail-in regimes are being implemented in a number of jurisdictions following the 2008 financial crisis in an effort to limit taxpayer exposure to potential losses of a failing institution and ensure the institution’s shareholders and creditors remain responsible for bearing such losses. The proposed regime would grant the Government of Canada the power to permanently cancel an institution’s existing common shares and/or convert an institution’s long-term senior debt into common shares. Either power would only be exercisable once the institution was no longer viable and full conversion of the institution’s non-viable contingent capital (NVCC) instruments into common shares had already occurred. Deposits (including those insured by the Canada Deposit Insurance Corporation), shorter-term unsecured wholesale debt, and derivatives would not be subject to conversion or cancellation. Higher Loss Absorbency requirements would also apply to ensure affected banks maintain sufficient capital to absorb the proposed conversions. The proposed changes could adversely impact our cost of funding.

Total loss-absorbing capacity (TLAC)

On November 10, 2014, the Financial Stability Board (FSB) proposed minimum common international standards related to the TLAC of global systemic banks. The standards are intended to address the sufficiency of global systemically important banks’ (G-SIBs) capital to absorb losses in a resolution, in a manner that minimizes impact on financial stability and ensures continuity of critical economic functions. To date, RBC and the other Canadian banks have not been designated as G-SIBs. It is uncertain how these proposed standards will be integrated into Canada’s bail-in regime as discussed above, which also remains to be finalized.

Over-the-counter (OTC) derivatives reform

Reforms in the OTC derivatives markets continue on a global basis, with the governments of the G20 nations proceeding with plans to transform the capital regimes, national regulatory frameworks and infrastructures in which we and other market participants operate. We, along with other Canadian banks, will experience changes in our wholesale banking business, some of which will impact our client- and trading-related derivatives revenues in Capital Markets. As part of this, we have implemented a compliance framework to adhere to new requirements in Canada (including new trade reporting rules effective October 31, 2014), the U.S., Europe, Asia-Pacific, and Australia.

In September 2013, the BCBS and the International Organization of Securities Commissions (IOSCO) released joint guidelines that include a requirement for non-exempt financial entities to exchange initial and variation margin (i.e. margin held as collateral to protect against potential counterparty default). Throughout 2014, European, Japanese, and U.S. regulators proposed domestic rules based on these guidelines. Effective December 1, 2015, RBC expects it will be required to comply with these guidelines and will work with national authorities to prepare for compliance as Canadian rules are developed.

On December 31, 2012, RBC registered as a swaps dealer in the U.S. pursuant to U.S. Commodity Futures Trading Commission (CFTC) requirements. To avoid the imposition of duplicative prudential requirements (and mitigate some of the expected compliance and operating costs), we are continuing to work with Canadian and U.S. authorities to encourage reliance on the Canadian framework.

In Europe, OTC regulation is being phased in since the European Market Infrastructure Rules (EMIR) came into force in March 2013. EMIR requires firms to clear certain OTC standardized derivative contracts through central counterparties, establish risk mitigation controls for OTC derivatives transactions that cannot be cleared, and report both cleared and non-cleared contracts to trade repositories. The review of Markets in Financial Instruments Directive (MiFID II) (in effect January 2017) is another key initiative seeking to achieve greater trade transparency, enhanced investor protection and more oversight of OTC derivatives and fixed income products, primarily through the introduction of new types of regulated trading platforms and increased governance over certain trading activities.

The payments system in Canada

The Federal government is continuing to review a number of aspects of the Canadian payments system, in areas such as governance, mobile payments, debit and credit cards, and the overall regulatory framework.

On November 4, 2014, MasterCard Canada and Visa Canada announced voluntary commitments to reduce merchant credit card fees to an average effective rate of 1.5% for the next five years, effective April 30, 2015. As a result of these commitments, the Minister of Finance signalled the government’s intention to not regulate credit card interchange rates at this time. However, the government also indicated it may implement amendments to the voluntary Code of Conduct for the Credit and Debit Card Industry in Canada in the near future. We will continue to assess the impact as further details are made available. We believe that we are well positioned to make any adjustments required in response to these commitments and will continue to support our personal and business clients with competitive credit card products.

These and other potential changes could have implications for RBC from a technological, systems, operational and regulatory perspective. While the government’s review is still at an early stage, risks associated with the implementation of these reforms could include implications to our revenue and business strategy through potential measures such as enhanced disclosure requirements, and the introduction of some form of dispute resolution mechanism for merchants. We continue to provide input into the government’s consultations in this area, arguing for fair and consistent regulation of all participants in the payments system to protect safety and soundness while promoting innovation.

Consumer protection

On September 19, 2014, the Supreme Court of Canada rendered its judgment in the 2003 Quebec class action lawsuit, *Marcotte v. Bank of Montreal*. The Court specifically found that certain provisions of Quebec's *Consumer Protection Act* apply to credit cards issued by federally-chartered banks. The Supreme Court agreed with the banks that foreign currency conversion fees cardholders pay when they transact in other currencies are not "credit charges", and therefore not subject to certain restrictions imposed by the *Consumer Protection Act*, but ruled that the disclosure requirements of the legislation do apply. Accordingly, five banks and one credit union must reimburse and pay punitive damages to credit cardholders for failing to properly disclose these fees. Neither Royal Bank of Canada nor any of the three other banks named in the lawsuit are required to pay any damages or reimbursement given that, at all relevant times, the conversion fee was disclosed in accordance with the applicable legislative provisions. The Supreme Court decision is important in that it narrows the circumstances in which exclusive federal jurisdiction over banking renders provincial/territorial legislation inoperative, opening the door further for the activities of RBC and other federally-regulated institutions to be subject to both federal and provincial/territorial legislation.

The Supreme Court decision may also influence the work being undertaken by the Federal government in the area of consumer protection more generally. In December 2013 the government began consulting on the development of a principles-based federal consumer protection framework focused on setting standards for the protection of consumers and we participated in that Department of Finance consultation.

Foreign Account Tax Compliance Act (FATCA)

The U.S. Foreign Account Tax Compliance Act (FATCA) came into effect on July 1, 2014 and generally requires non-U.S. financial institutions to provide information to the U.S. Internal Revenue Service (IRS) about U.S. persons and financial accounts in which they have an interest in order to identify persons who may be evading U.S. taxes through the use of foreign accounts. On February 5, 2014, the Canadian government concluded an intergovernmental agreement (IGA) with the U.S. government providing some relief to Canadian financial institutions and their clients. Under the terms of the IGA, Canadian financial institutions will report information directly to CRA rather than directly to the IRS. The CRA will then exchange the information with the IRS through provisions in the existing Canada-U.S. Tax Convention. The IGA also generally eliminates the requirement for Canadian financial institutions to withhold and remit to the IRS a 30% tax on U.S.-source payments paid or credited to individual account holders who fail to provide information requested to determine their U.S. status. Instead, the accounts for those individuals will be treated as U.S. reportable accounts and included in the reporting to the tax authorities.

Regulatory reform in the U.K. and elsewhere in Europe

The regulatory framework in the U.K. and elsewhere in Europe continues to undergo significant reform and reorganization. The *U.K. Financial Services (Banking Reform) Act* was finalized in December 2013 and regulators continue to adopt regulations to implement the new legislation. Key changes focus on heightened requirements for governance, consumer protection, and bank executive remuneration. The approved persons regime applies more stringent oversight, certification, and disclosure requirements to those performing senior management functions at a subject bank. U.K. authorities are also consulting on a new remuneration code for the U.K. that sets out new rules on remuneration to strengthen the alignment between long-term risk and reward in the banking sector. European authorities have also published guidelines aimed at ensuring a consistent approach for complaints handling across the European Union.

In July 2014, U.K. legislation confirmed that our U.K. entities will be exempt from the requirement to separate our retail banking and investment banking activities by virtue of meeting the prescribed *de minimis* threshold for applicability.

Competitive risk

The competition for clients among financial services companies in the markets in which we operate is intense. Client loyalty and retention can be influenced by a number of factors, including new technology used or services offered by our competitors, relative service levels, relative prices, product and service attributes, our reputation, actions taken by our competitors, and adherence with competition and anti-trust laws. Other companies, such as insurance companies and non-financial companies, are increasingly offering services traditionally provided by banks. For example, our payments business is facing intense competition from emerging non-traditional competitors. This competition could also reduce net interest income, fee revenue and adversely affect our results.

Systemic risk

Systemic risk is the risk that the financial system as a whole, or a major part of it – either in an individual country, a region, or globally – is put in real and immediate danger of collapse or serious damage with the likelihood of material damage to the real economy, and that this will result in financial, reputation or other risks for RBC.

Systemic risk is considered to be the least controllable risk facing RBC. Our ability to mitigate this risk when undertaking business activities is limited, other than through collaborative mechanisms between key industry participants, and, as appropriate, the public sector, to reduce the frequency and impact of these risks. The two most significant measures in mitigating the impact of systemic risk are diversification and stress testing.

Our diversified business portfolios, products, activities and funding sources help mitigate the potential impacts from systemic risk. We also mitigate systemic risk by establishing risk limits to ensure our portfolio is well diversified, concentration risk is reduced and remains within our Risk Appetite.

Stress testing involves consideration of the simultaneous movements in a number of risk factors. It is used to ensure our business strategies and capital planning are robust by measuring the potential impacts of credit, market, liquidity and funding and operational risks on us, under adverse economic conditions. Our enterprise-wide stress testing program utilizes stress scenarios featuring a range of severities based on plausible adverse economic and financial market events. These stress scenarios are evaluated across the organization, and results are integrated to develop an enterprise-wide view of the impacts on our financial results and capital requirements. For further details on our stress testing, refer the Risk management – Enterprise risk management section.

Overview of other risks

In addition to the risks described in the Risk management section, there are other risk factors, described below, which may adversely affect our businesses and financial results. The following discussion is not exhaustive as other factors could also adversely affect our results.

Business and economic conditions

Our earnings are significantly affected by the general business and economic conditions in the geographic regions in which we operate. These conditions include consumer saving and spending habits as well as consumer borrowing and repayment patterns, business investment, government spending, exchange rates, sovereign debt risks, the level of activity and volatility of the capital markets, strength of the economy and inflation. For example, an economic downturn may result in high unemployment and lower family income, corporate earnings, business

investment and consumer spending, and could adversely affect the demand for our loan and other products and result in higher provisions for credit losses. Given the importance of our Canadian operations, an economic downturn in Canada or in the U.S. impacting Canada would largely affect our personal and business lending activities in our Canadian banking businesses, including cards, and could significantly impact our results of operations.

Our earnings are also sensitive to changes in interest rates. A continuing low interest rate environment in Canada, the U.S. and globally would result in net interest income being unfavourably impacted by spread compression largely in Personal & Commercial Banking and Wealth Management. While an increase in interest rates would benefit our businesses that are currently impacted by spread compression, a significant increase in interest rates could also adversely impact household balance sheets. This could result in credit deterioration which might negatively impact our financial results, particularly in some of our personal and commercial banking and Wealth Management businesses.

Capital Markets and Investor & Treasury Services would be negatively impacted if global capital markets deteriorate resulting in lower average fee-based client assets and transaction volumes and trading volatility. In Wealth Management, weaker market conditions would lead to lower average fee-based client assets and transaction volumes. Worsening of financial and credit market conditions may adversely affect our ability to access capital markets on favourable terms and could negatively affect our liquidity, resulting in increased funding costs and lower transaction volumes in Capital Markets and Investor & Treasury Services. For further details on economic and market factors which may impact our financial performance, refer to the Wealth Management, Investor & Treasury Services and Capital Markets sections.

Government fiscal, monetary and other policies

Our businesses and earnings are affected by the fiscal, monetary or other policies that are adopted by the Bank of Canada and various other Canadian regulatory authorities, the Board of Governors of the Federal Reserve System in the U.S. and other U.S. government authorities, as well as those adopted by international regulatory authorities and agencies in jurisdictions in which we operate. Such policies can also adversely affect our clients and counterparties in Canada, the U.S. and internationally, which may increase the risk of default by such clients and counterparties.

Tax risk and transparency

Tax risk refers to the risk of loss related to unexpected tax liabilities. The tax laws and systems that are applicable to RBC are complex and wide ranging. As a result, we ensure that any decisions or actions related to tax always reflect our assessment of the long-term costs and risks involved, including their impact on our relationship with clients, shareholders, and regulators, and our reputation.

Our approach to tax is governed by our Taxation Policy and Risk Management Framework, and reflects the fundamentals of our Risk Pyramid. Oversight of our tax policy and the management of tax risk is the responsibility of the CAO & CFO and the Senior Vice President, Taxation. We report our tax position to the Audit Committee on a regular basis and discuss our tax strategy with the Audit and Risk Committees as well as with GE.

Our tax strategy is designed to ensure transparency and support our business strategy, and is aligned with our corporate vision and values. We seek to maximize shareholder value by ensuring that our businesses are structured in a tax efficient manner while considering reputational risk by being in compliance with all laws and regulations. Our framework seeks to ensure that we:

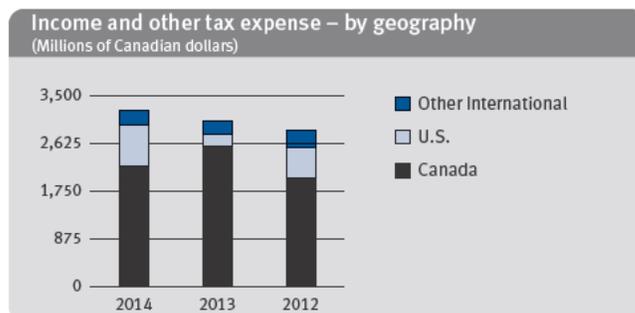
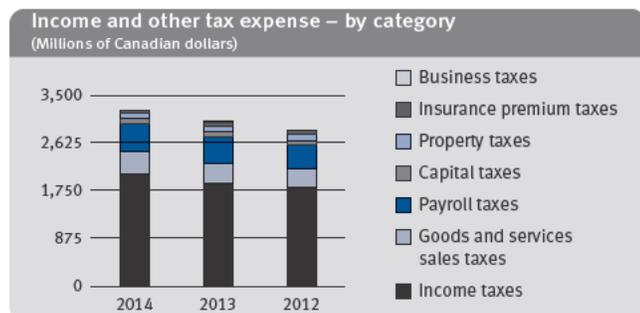
- Act with integrity and in a straightforward, open and honest manner in all tax matters;
- Ensure tax strategy is aligned with our business strategy supporting only bona fide transactions with a business purpose and economic substance;
- Ensure our full compliance and full disclosure to tax authorities of our statutory obligations; and
- Endeavor to work with the tax authorities to build positive long-term relationships and where disputes occur, address them constructively.

With respect to assessing the needs of our clients, we consider a number of factors including the purposes of the transaction. We ensure that we only support bona fide client transactions with a business purpose and economic substance. Should we become aware of client transactions that are aimed at evading their tax obligations, we will not proceed with the transaction.

Given that we have offices in 40 countries worldwide, complex tax legislation and accounting principles can often result in differing legal interpretations between the respective tax authorities we deal with and ourselves. Should this occur, we are committed to an open and transparent dialogue with the tax authorities to ensure a quick assessment and prompt resolution of the issue. Failure to adequately manage tax risk and resolve issues with tax authorities could adversely impact our results and/or significantly impact our reputation.

Tax Contribution

In 2014, total income and other tax expense to various levels of governments totalled \$3.2 billion (2013 – \$3 billion; 2012 – \$2.9 billion). In Canada, total income and other tax expense for the year ended October 31, 2014 to various levels of government totalled \$2.2 billion (2013 – \$2.6 billion; 2012 – \$2 billion).



For further details on income and other tax expense, refer to the Financial performance section.

Ability to attract and to retain employees

Competition for qualified employees is intense within the financial services industry and from non-financial industries looking to recruit. Although our goal is to attract and retain qualified employees, there is no assurance that we will be able to do so.

Accuracy and completeness of information on clients and counterparties

When deciding to extend credit or enter into other transactions with clients and counterparties, we may rely on information provided by or on behalf of clients and counterparties, including audited financial statements and other financial information. We may also rely on representations of clients and counterparties as to the completeness and accuracy of that information. Our financial results could be adversely impacted if the financial statements and other financial information relating to clients and counterparties on whom we rely do not comply with GAAP or are materially misleading.

Development and integration of our distribution networks

We regularly explore opportunities to expand our distribution networks, either through acquisitions or organically by adding, for example, new bank branches, insurance offices, online savings accounts and ATMs in high-growth, receptive markets. However, if we are not able to develop or integrate these distribution networks effectively, our results of operations and financial condition may be negatively affected.

Model risk

The use of models plays an important role in many of our business activities. We use a variety of models for many purposes, including the valuation of financial products, risk measurement and management of different types of risk. Model risk is the risk of error in the design, development, implementation or subsequent use of models. We have established an enterprise-wide Model Risk Management Framework, including principles, policies and procedures, roles and responsibilities to manage model risk. One of the key factors in the framework to mitigate model risk is independent validation.

Information technology risk

We use information technology for business operations and the enablement of strategic business goals and objectives. Information technology risk is the risk to our business associated with the use, ownership, operation, involvement, influence and adoption of information technology within the enterprise. It consists of information technology related events that could potentially have an adverse impact on our business. Such events could result in business interruption, service disruptions, theft of intellectual property and confidential information, additional regulatory scrutiny, litigation and reputational damage. To manage our information technology risk, we have established an enterprise-wide Information Technology Risk Management Framework.

Information management risk

Information management risk is the risk of loss or harm resulting from the failure to manage information appropriately throughout its lifecycle. Exposure to this risk exists when information is acquired or created, processed, used, shared, accessed, retained or disposed. With respect to personal information, the failure to manage information appropriately can result in the misuse of personal information or privacy breaches. With respect to client information, the inability to process information accurately and on a timely basis can result in service disruptions. With respect to corporate and proprietary information, the mismanagement of information can result in the disclosure of confidential information, the unavailability of information when it is required and the reliance on inaccurate information for decision-making purposes. Such events could lead to legal and regulatory consequences, reputational damage and financial loss.

Social media risk

The scale and profile of social media has grown to present a number of risks. These risks include brand and reputational damage, information leaks, non-compliance with regulatory requirements and governance risk. To manage the risks associated with social media, we have implemented an enterprise-wide policy as well as business unit policies on the usage of external social media, which sets out the requirements for the business and corporate use of social media and is part of our larger Social Media Governance Framework.

Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from the business activities and operations of both us and our clients. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit, regulatory and reputation risk. Operational and legal risks may arise from environmental issues at our branches, offices or data processing centres.

Corporate Sustainability (CS) sets enterprise-wide policy requirements for the identification, assessment, control, monitoring and reporting of environmental risk. Oversight is provided by GE and the Corporate Governance and Public Policy Committee (CG&PPC) of the Board of Directors. Business segments and corporate functions are responsible for incorporating environmental risk management requirements and controls within their operations. The CS Group also provides advisory services and support to business segments on the management of specific environmental risks in business transactions.

Periodically, we verify that our environmental risk management policies and processes are operating as intended. On an annual basis, and more frequently as required, environmental risk management activities, issues, and trends are reported to GE and to the CG&PPC of the Board of Directors. Failure to adequately manage environmental risk could adversely impact our results and/or significantly impact our reputation.

We report on the full extent of environmental management annually in the Corporate Responsibility Report and Public Accountability Statements.

Third party and outsourcing risk

Failing to effectively manage our service providers may expose RBC to service disruptions, regulatory action, financial loss, litigation or reputational damage. Third party and outsourcing risk has received increased oversight from regulators and attention from the media. We formalized and standardized our expectations of our suppliers with a principles-based Supplier Code of Conduct to ensure their behaviour aligns with our standards in the following key areas: business integrity, responsible business practices, responsible treatment of individuals, and the environment.

Other factors

Other factors that may affect actual results include changes in government trade policy, changes in accounting standards, including their effect on our accounting policies, estimates and judgements, currency and interest rate movements in Canada, the U.S., and other jurisdictions in which we operate, changes to our credit ratings, the timely and successful development of new products and services, our ability to cross-sell more products to customers, technological changes, effective design, implementation and execution of processes and their associated controls,

fraud by internal and external parties, the possible impact on our business from disease or illness that affects local, national or global economies, disruptions to public infrastructure, including transportation, communication, power and water, international conflicts and other political developments including those relating to the war on terrorism, and our success in anticipating and managing the associated risks.

We caution that the foregoing discussion of risk factors, many of which are beyond our control, is not exhaustive and other factors could also affect our results.

Capital management

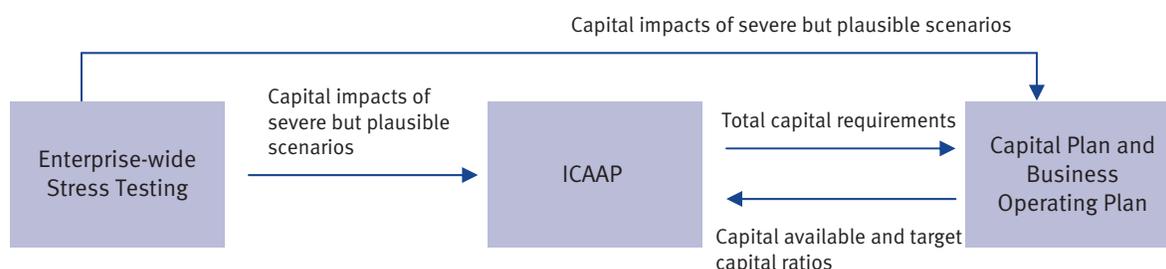
We actively manage our capital to maintain strong capital ratios and high ratings while providing strong returns to our shareholders. In addition to the regulatory requirements, we consider the expectations of credit rating agencies, depositors and shareholders, as well as our business plans, stress tests, peer comparisons and our internal capital ratio targets. Our goal is to optimize our capital usage and structure, and provide support for our business segments and clients and better returns for our shareholders, while protecting depositors and senior creditors.

Capital management framework

Our capital management framework provides the policies and processes for defining, measuring, raising and investing all types of capital in a coordinated and consistent manner. It includes the overall approach of capital management, including guiding principles as well as roles and responsibilities relating to capital adequacy and transactions, dividends, solo capital and management of risk-weighted assets and gross-adjusted assets or total exposures. We manage and monitor capital from several perspectives, including regulatory capital, economic capital and subsidiary capital.

Our capital planning is a dynamic process which involves various teams including Finance, Corporate Treasury, GRM, Economics and our businesses, and covers internal capital ratio targets, potential capital transactions as well as projected dividend payouts and share repurchases. The integral parts of our capital planning comprise our business operating plans, Enterprise-wide stress testing and Internal Capital Adequacy Assessment Process (ICAAP), along with the considerations of regulatory capital requirements and accounting changes, internal capital requirements, rating agency metrics and solo capital.

Our capital plan is established on an annual basis and is aligned with the management actions included in the annual business operating plan, which includes forecast growth in assets and earnings taking into account our business strategies, projected market and economic environment and peer positioning. This includes incorporating potential capital transactions based on our projected internal capital generation, business forecasts, market conditions and other developments, such as accounting and regulatory changes that may impact capital requirements. All of the components in the capital plan are monitored throughout the year and are revised as deemed appropriate.



Our Enterprise-wide stress testing and ICAAP provide key inputs for capital planning, including setting the appropriate internal capital ratio targets. The stress scenarios are evaluated across the organization, and results are integrated to develop an enterprise-wide view of financial impacts and capital requirements, which in turn facilitate the planning of mitigating actions to absorb exceptional adverse events. ICAAP is an OSFI mandated annual process to assess capital adequacy and requirements to cover all material risks, with a cushion to cover severe but plausible contingencies. In accordance with the OSFI guideline, the major components of our ICAAP process include comprehensive risk assessment, stress testing, capital assessment and planning (both economic and regulatory capital), board and senior management oversight, monitoring and reporting and internal control review.

Our internal capital targets are established to maintain robust capital positions in excess of OSFI's Basel III "all-in" regulatory targets, which include minimum capital requirements plus a capital conservation buffer that can absorb losses during periods of stress. The "all-in" methodology includes all regulatory adjustments that will be required by 2019, while retaining the phase-out rules for non-qualifying capital instruments, as per OSFI's Basel III Capital Adequacy Requirements (CAR) guideline. The stress test results of our Enterprise-wide stress testing and ICAAP are incorporated into the OSFI capital conservation buffer, with a view to ensuring the bank has adequate capital to underpin risks and absorb losses under all plausible stress scenarios given our risk profile and appetite. In addition, we include a discretionary cushion on top of the OSFI regulatory targets to maintain capital strength for forthcoming regulatory and accounting changes, peer comparatives, rating agencies sensitivities and solo capital level.

The Board of Directors is responsible for ultimate oversight of capital management, including the annual review and approval of the Capital Plan. ALCO and GE share responsibility for capital management and receive regular reports detailing our compliance with established limits and guidelines. The Risk Committee annually approves the Capital Management Framework. The Audit and Risk Committees jointly approve the ICAAP process. The Audit Committee is also responsible for the ongoing review of internal controls over capital management.

Basel III

Our regulatory capital requirements are determined on a Basel III "all-in" basis as per OSFI guidelines. The top corporate entity to which Basel III applies at the consolidated level is Royal Bank of Canada.

Under Basel III, banks select from among alternative approaches to calculate their minimum regulatory capital required to underpin credit, market and operational risks.

We adopted the Basel III IRB approach to calculate credit risk capital for consolidated regulatory reporting purposes. While the majority of our credit risk exposures are reported under the Basel III IRB approach for regulatory capital purposes, certain portfolios considered non-material from a consolidated perspective continue to use the Basel III Standardized approach for credit risk (for example, our Caribbean banking operations). For consolidated regulatory reporting of operational risk capital, we continue to use the Standardized approach. For consolidated regulatory reporting of market risk capital, we use both Internal Models-based and Standardized approaches.

In December 2010, the BCBS issued “Basel III: A global regulatory framework for more resilient banks and banking systems”, which outlines the capital and liquidity requirements for global banks, with the objective of promoting financial stability and is intended to ensure sustainable economic growth. The BCBS sets out the Basel III transitional requirements for Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios at 4%, 5.5% and 8%, respectively for 2014, which will be fully phased-in to 7%, 8.5% and 10.5%, respectively (including minimums plus capital conservation buffer of 2.5%) by January 1, 2019. The BCBS also released the NVCC requirements in January 2011 with an effort to ensure the loss absorbency of regulatory capital instruments at the point of non-viability. In August 2011, OSFI issued an advisory outlining the NVCC principles and requirements, including a full and permanent conversion of non-common capital instruments into common shares upon a trigger event, effective the first quarter of 2013.

OSFI expects Canadian banks to currently meet the “all-in” targets (minimum ratios plus the capital conservation buffer – January 1, 2019 BCBS requirements) for CET1 ratio, and Tier 1 and Total capital. Effective January 1, 2014, the CVA capital charge is phased in over a five-year period beginning 2014 and ending December 31st, 2018 to ensure an implementation similar to that in other countries. In accordance with the guidance, there are two possible options to phase in the CVA capital charge. Under the option selected by RBC, option 1, CVA increased RWA for purposes of calculating CET1, Tier 1 and Total Capital ratios, and was phased-in using 57%, 65% and 77% phase-in multiples respectively for 2014. The multiples will vary by year, reaching 100% by the end of 2018. The 2015 CET1, Tier 1 and Total Capital ratios phase-in multiples will be 64%, 71% and 77%, respectively.

In January 2014, the BCBS released its final paper on “Basel III leverage ratio framework and disclosure requirement”, which requires banks to disclose the leverage ratio and its components, effective the first fiscal quarter of 2015. The leverage ratio is defined as the capital measure divided by the exposure measure. The capital measure is currently defined as Tier 1 capital and the exposure measure is the sum of (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction (SFT) exposures and (d) off-balance sheet items. The minimum leverage ratio is 3%. On October 30, 2014, OSFI issued its final “Leverage Requirements (LR) Guideline”, which replaces the existing OSFI assets-to-capital multiple (ACM) with the Basel leverage ratio beginning in Q1 2015.

OSFI released the list of six Canadian banks, including RBC, which are designated as D-SIBs in March 2013, for which an additional 1% risk weighted capital surcharge will be required commencing January 1, 2016. In July 2013, BCBS published a revised document on “Global systemically important banks (G-SIB): updated assessment methodology and the higher loss absorbency requirement”. BCBS requires all banks with a Basel III leverage ratio total exposure exceeding EUR 200 billion as well as those designated as G-SIBs in the previous year to publish the twelve indicators used in the assessment methodology, with the goal of enhancing the transparency of the relative scale of banks’ potential global systemic importance and data quality. Per OSFI advisory “Global systemically important banks – Public disclosure requirements” issued in March 2014, Canadian banks, including RBC, that meet the BCBS size threshold and are not designated as G-SIBs in the previous year will be required to disclose in the report to shareholders the twelve indicators only (not the full template) for financial year ends 2013 and 2014, no later than the first quarter of 2015. For subsequent year ends, disclosure should be made as part of a bank’s annual report to shareholders.

The following table provides a summary of OSFI regulatory target ratios under Basel III.

Basel III – OSFI regulatory target						Table 66	
Basel III Capital Ratios	OSFI regulatory target requirements for large banks under Basel III					RBC capital ratios as at October 31, 2014	Meet or exceed OSFI regulatory target ratios
	Minimum	Capital Conservation Buffer	Minimum including Capital Conservation Buffer	D-SIBs Surcharge ⁽¹⁾	Minimum including Capital Conservation Buffer and D-SIBs surcharge ⁽¹⁾		
Common Equity Tier 1 (%)	> 4.5%	2.5%	> 7.0%	1.0%	> 8.0%	9.9%	✓
Tier 1 capital (%)	> 6.0%	2.5%	> 8.5%	1.0%	> 9.5%	11.4%	✓
Total capital (%)	> 8.0%	2.5%	> 10.5%	1.0%	> 11.5%	13.4%	✓

(1) The D-SIBs surcharge will be applicable to risk weighted capital commencing January 1, 2016.

The following table provides details on our regulatory capital, RWA and capital ratios. Our capital position remained strong during the year and our capital ratios remain well above OSFI regulatory targets.

Regulatory capital, risk-weighted assets (RWA) and capital ratios

Table 67

	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars, except percentage and multiple amounts)		
Capital (1)		
CET1 capital	\$ 36,406	\$ 30,541
Tier 1 capital	42,202	37,196
Total capital	50,020	44,716
RWA used in calculation of capital ratios (1), (2)		
CET1 capital RWA	\$ 368,594	\$ 318,981
Tier 1 capital RWA	369,976	318,981
Total capital RWA	372,050	318,981
Total capital RWA consisting of: (1)		
Credit risk	\$ 286,327	\$ 232,641
Market risk	38,460	42,184
Operational risk	47,263	44,156
Total capital risk-weighted assets	\$ 372,050	\$ 318,981
Capital ratios and multiples (1), (3)		
CET1 ratio	9.9%	9.6%
Tier 1 capital ratio	11.4%	11.7%
Total capital ratio	13.4%	14.0%
Assets-to-capital multiple (4)	17.0X	16.6X
Gross-adjusted assets (GAA) (billions) (4)	\$ 885.0	\$ 807.0

(1) Capital, RWA and capital ratios and multiples are calculated using OSFI CAR based on the Basel III framework.

(2) Effective Q3, 2014 different scalars were applied to the CVA included in the risk weighted asset calculation applicable to each of the three tiers of capital. In Q3 and Q4, 2014, the CVA scalars 57%, 65% and 77% were applied to CET 1, Tier 1 and Total Capital respectively. The CVA scalars will change to 64%, 71% and 77% in fiscal 2015.

(3) To enhance comparability among other global financial institutions, the following are our transitional capital ratios. The transitional CET1, Tier 1 and Total capital ratios as at October 31, 2014 were 11.8%, 11.8% and 13.8% respectively. Transitional is defined as capital calculated according to the current year's phase-in of regulatory adjustments and phase-out of non-qualifying capital instruments.

(4) Assets-to-capital multiple and GAA are also calculated on a transitional basis.

Basel III regulatory capital and capital ratios

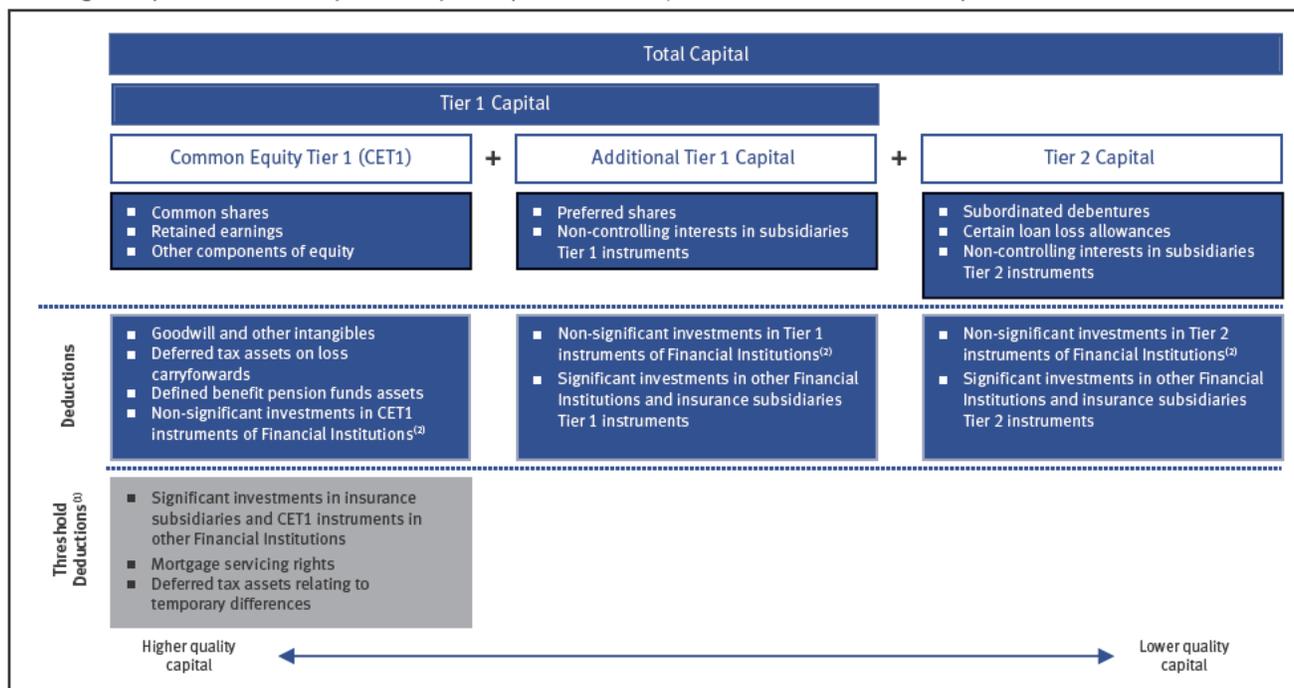
Under Basel III, regulatory capital consists of CET1, Additional Tier 1 and Tier 2 capital.

CET1 capital comprises the highest quality of capital. Regulatory adjustments under Basel III include full deductions of certain items and additional capital components that are subject to threshold deductions.

Tier 1 capital comprises predominantly CET1 and Additional Tier 1 items including non-cumulative preferred shares. Tier 2 capital includes subordinated debentures that meet certain criteria, certain loan loss allowances and non-controlling interests in subsidiaries' Tier 2 instruments. Total capital is defined as the sum of Tier 1 and Tier 2 capital. Preferred shares and subordinated debentures issued after January 1, 2013 require NVCC features to be included into regulatory capital. For further details on NVCC, refer to the Legal and regulatory environment risk section.

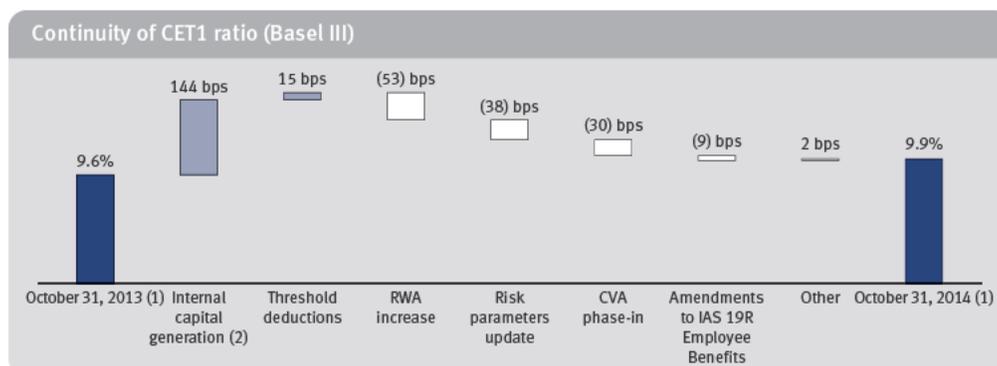
Regulatory capital ratios are calculated by dividing CET1, Tier 1 and Total capital by their respective RWA. OSFI requires Canadian banks to maintain an ACM (which is calculated by dividing Gross-Adjusted Assets (GAA) by Total capital calculated on a Basel III transitional basis) at or below a maximum level prescribed by OSFI. All items that are deducted from capital are excluded from total assets. As required by OSFI, we will transition to the Basel III leverage ratio which replaces the existing ACM commencing in the first quarter of 2015.

The following chart provides a summary of the major components of CET1, Additional Tier 1 and Tier 2 capital.



- (1) First level: The amount by which each of the items exceeds a 10% threshold of CET1 capital (after all deductions but before threshold deductions) will be deducted from CET1 capital. Second level: The aggregate amount of the three items not deducted from the first level above and in excess of 15% of CET1 capital after regulatory adjustments will be deducted from capital, and the remaining balance not deducted will be risk-weighted at 250%.
- (2) Non-significant investments are subject to certain CAR criteria that drive the amount eligible for deduction.

Regulatory Capital		Table 68	
		All-in basis	
(Millions of Canadian dollars)		2014	2013
CET1 capital: instruments and reserves and regulatory adjustments			
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	\$	14,684	\$ 14,607
Retained earnings		31,442	28,124
Accumulated other comprehensive income (and other reserves)		2,418	1,207
Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		-	-
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		12	11
Regulatory adjustments applied to CET1 under Basel III		(12,150)	(13,408)
Common Equity Tier 1 capital (CET1)	\$	36,406	\$ 30,541
Additional Tier 1 capital: instruments and regulatory adjustments			
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		1,000	-
Directly issued capital instruments to phase out from Additional Tier 1		4,794	6,652
Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group AT1)		2	3
Regulatory adjustments applied to Additional Tier 1 under Basel III		-	-
Additional Tier 1 capital (AT1)		5,796	6,655
Tier 1 capital (T1 = CET1 + AT1)	\$	42,202	\$ 37,196
Tier 2 capital: instruments and provisions and regulatory adjustments			
Directly issued qualifying Tier 2 instruments plus related stock surplus		2,010	-
Directly issued capital instruments subject to phase out from Tier 2		5,595	7,234
Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		31	24
Collective allowance		182	262
Other		-	-
Regulatory adjustments applied to Tier 2 under Basel III		-	-
Tier 2 capital (T2)	\$	7,818	\$ 7,520
Total capital (TC = T1 + T2)	\$	50,020	\$ 44,716



(1) Represents round figures.

(2) Internal capital generation of \$4.6 billion represents Net income available to shareholders less common and preferred shares dividends.

Our CET 1 ratio was 9.9% as at October 31, 2014, up 30 bps from October 31, 2013, mainly due to internal capital generation and lower threshold deductions. These factors were partially offset by higher RWA reflecting business growth, an update to our risk parameters and CVA capital charge implementation. The impact from the adoption of the amendments to IAS 19 *Employee Benefits* and net impact of foreign exchange translation also decreased our CET1 ratio.

Our Tier 1 capital ratio of 11.4% was down 30 bps, mainly due to the net redemption of Additional Tier 1 instruments, higher RWA reflecting business growth, an update to our risk parameters and CVA capital charge implementation, along with the impact from the adoption of the amendments to IAS 19 *Employee Benefits* and net impact of foreign exchange translation. These factors were partially offset by internal capital generation, lower threshold deductions, and a decrease in the phase-out of non-qualifying capital.

Our Total capital ratio of 13.4% was down 60 bps, driven by the factors noted above in respect of our Tier 1 ratio, partially offset by net issuance of subordinated debentures.

As at October 31, 2014, our ACM (on a transitional basis) was 17.0X as compared to ACM as at October 31, 2013 of 16.6X. The increase was mainly due to higher GAA due to business growth, net redemption of Additional Tier 1 instruments, phase-in of capital deductions, the impact from the adoption of the amendments to IAS 19 *Employee Benefits* and the impact of foreign exchange translation. These factors were partially offset by internal capital generation, a decrease in the phase-out of non-qualifying capital, and net issuance of subordinated debentures.

Basel III RWA

OSFI requires banks to meet minimum risk-based capital requirements for exposures to credit risk, operational risk, and, where they have significant trading activity, market risk. RWA is calculated for each of these risk types and added together to determine total RWA. In addition, OSFI requires the minimum risk-based capital to be no less than 90% of the capital requirements as calculated under the Basel I standards. If the capital requirement is less than 90%, a transitional adjustment to RWA must be applied as prescribed by OSFI CAR guidelines.

Total capital risk-weighted assets

Table 69

As at October 31 (Millions of Canadian dollars, except percentage amounts)	2014						2013
	Exposure (1)	Average of risk weights (2)	Risk-weighted assets				Total
			Standardized approach	Advanced approach	Other	Total	
Credit risk							
Lending-related and other							
Residential mortgages	\$ 191,905	6%	\$ 1,048	\$ 9,525	\$ –	\$ 10,573	\$ 8,490
Other retail	229,594	21%	4,775	44,201	–	48,976	48,418
Business	231,982	55%	17,594	109,354	–	126,948	101,780
Sovereign	58,453	13%	2,538	5,145	–	7,683	3,910
Bank	81,477	9%	2,543	4,536	–	7,079	5,409
Total lending-related and other	\$ 793,411	25%	\$ 28,498	\$ 172,761	\$ –	\$ 201,259	\$ 168,007
Trading-related							
Repo-style transactions	\$ 284,715	2%	\$ 24	\$ 4,864	\$ 24	\$ 4,912	\$ 2,662
Derivatives – including CVA – CET1 phase-in adjustment	73,296	37%	1,447	15,116	10,312	26,875	16,489
Total trading-related	\$ 358,011	9%	\$ 1,471	\$ 19,980	\$ 10,336	\$ 31,787	\$ 19,151
Total lending-related and other and trading-related	\$ 1,151,422	20%	\$ 29,969	\$ 192,741	\$ 10,336	\$ 233,046	\$ 187,158
Bank book equities	2,035	100%	–	2,025	–	2,025	1,712
Securitization exposures	39,936	15%	342	5,488	–	5,830	6,789
Regulatory scaling factor	n.a.	n.a.	n.a.	11,938	–	11,938	9,813
Other assets	43,764	69%	n.a.	n.a.	30,032	30,032	27,169
Total credit risk	\$ 1,237,157	23%	\$ 30,311	\$ 212,192	\$ 40,368	\$ 282,871	\$ 232,641
Market risk							
Interest rate			\$ 2,211	\$ 4,115	\$ –	\$ 6,326	\$ 3,361
Equity			178	1,443	–	1,621	3,330
Foreign exchange			1,224	50	–	1,274	1,661
Commodities			2,025	5	–	2,030	990
Specific risk			11,640	3,340	–	14,980	21,948
Incremental risk charge			–	12,229	–	12,229	10,894
Total market risk			\$ 17,278	\$ 21,182	\$ –	\$ 38,460	\$ 42,184
Operational risk			\$ 47,263	n.a.	n.a.	\$ 47,263	\$ 44,156
CET1 capital risk-weighted assets (3)			\$ 94,852	233,374	40,368	\$ 368,594	\$ 318,981
Additional CVA adjustment, prescribed by OSFI, for Tier 1 capital			–	–	1,382	1,382	–
Tier 1 capital risk-weighted assets (3)			\$ 94,852	233,374	41,750	\$ 369,976	\$ 318,981
Additional CVA adjustment, prescribed by OSFI, for Total capital			–	–	2,074	2,074	–
Total capital risk-weighted assets (3)	\$ 1,237,157		\$ 94,852	\$ 233,374	\$ 43,824	\$ 372,050	\$ 318,981

(1) Total exposure represents exposure at default which is the expected gross exposure upon the default of an obligor. This amount is before any allowance against impaired loans or partial write-offs and does not reflect the impact of credit risk mitigation and collateral held.

(2) Represents the average of counterparty risk weights within a particular category.

(3) Effective Q3, 2014 different scalars were applied to the CVA included in the risk weighted asset calculation applicable to each of the three tiers of capital. In Q3 and Q4, 2014, the CVA scalars 57%, 65% and 77% were applied to CET 1, Tier 1 and Total Capital respectively. The CVA scalars will change to 64%, 71% and 77% in fiscal 2015.

2014 vs. 2013

During the year, CET1 RWA was up \$50 billion, mainly reflecting business growth, an update to our retail and corporate and business lending risk parameters, the CVA capital charge implementation, and the impact of foreign exchange translation.

Selected capital management activity

The following table provides our selected capital management activity for the year ended October 31, 2014.

Selected capital management activity		Table 70	
		2014	
(Millions of Canadian dollars, except number of shares)		Issuance or redemption date	Number of shares (000s) Amount
Tier 1 capital			
Common shares issued			
Stock options exercised (1)		2,723	\$ 150
Purchased for cancellation		(1,546)	(16)
Issuance of preferred shares Series AK (2)	February 24, 2014	2,421	61
Issuance of preferred shares Series AZ (2), (3), (4)	January 30, 2014	20,000	500
Issuance of preferred shares Series BB (2), (3), (4)	June 3, 2014	20,000	500
Redemption of preferred shares Series AN	February 24, 2014	(9,000)	(225)
Redemption of preferred shares Series AP	February 24, 2014	(11,000)	(275)
Redemption of preferred shares Series AR	February 24, 2014	(14,000)	(350)
Redemption of preferred shares Series AT	August 24, 2014	(11,000)	(275)
Redemption of preferred shares Series AV	August 24, 2014	(16,000)	(400)
Redemption of TruCS 2013 (2)	December 31, 2013		(900)
Tier 2 capital			
Issuance of July 17, 2024 subordinated debentures (2), (4)	July 17, 2014		1,000
Issuance of September 29, 2026 subordinated debentures (2), (4)	September 29, 2014		1,000
Redemption of June 18, 2103 subordinated debentures (2)	June 18, 2014		(600)
Redemption of November 4, 2018 subordinated debentures (2)	November 4, 2013		(1,000)

(1) Amounts include cash received for stock options exercised during the period and the fair value adjustments to stock options.

(2) For further details, refer to Notes 19, 20 and 21 of our 2014 Annual Consolidated Financial Statements.

(3) Based on gross amount.

(4) NVCC capital instruments.

Dividends

Our common share dividend policy reflects our earnings outlook, payout ratio objective and the need to maintain adequate levels of capital to fund business opportunities. In 2014, our dividend payout ratio was 47%, which met our dividend payout ratio target of 40% to 50%. Common share dividends paid during the year were \$4.1 billion.

Selected share data (1)		Table 71								
		2014			2013			2012		
(Millions of Canadian dollars, except number of shares)		Number of shares (000s)	Amount	Dividends declared per share	Number of shares (000s)	Amount	Dividends declared per share	Number of shares (000s)	Amount	Dividends declared per share
Common shares outstanding		1,442,233	\$14,511	\$ 2.84	1,441,056	\$ 14,377	\$ 2.53	1,445,303	\$ 14,323	\$ 2.28
First preferred shares outstanding										
Non-cumulative Series W (2)		12,000	300	1.23	12,000	300	1.23	12,000	300	1.23
Non-cumulative Series AA		12,000	300	1.11	12,000	300	1.11	12,000	300	1.11
Non-cumulative Series AB		12,000	300	1.18	12,000	300	1.18	12,000	300	1.18
Non-cumulative Series AC		8,000	200	1.15	8,000	200	1.15	8,000	200	1.15
Non-cumulative Series AD		10,000	250	1.13	10,000	250	1.13	10,000	250	1.13
Non-cumulative Series AE		10,000	250	1.13	10,000	250	1.13	10,000	250	1.13
Non-cumulative Series AF		8,000	200	1.11	8,000	200	1.11	8,000	200	1.11
Non-cumulative Series AG		10,000	250	1.13	10,000	250	1.13	10,000	250	1.13
Non-cumulative Series AH		–	–	–	–	–	0.86	8,500	213	1.41
Non-cumulative Series AJ (3)		13,579	339	0.97	16,000	400	1.25	16,000	400	1.25
Non-cumulative Series AK (3)		2,421	61	0.53	–	–	–	–	–	–
Non-cumulative Series AL (3)		12,000	300	1.15	12,000	300	1.40	12,000	300	1.40
Non-cumulative Series AN (3)		–	–	0.39	9,000	225	1.56	9,000	225	1.56
Non-cumulative Series AP (3)		–	–	0.39	11,000	275	1.56	11,000	275	1.56
Non-cumulative Series AR (3)		–	–	0.39	14,000	350	1.56	14,000	350	1.56
Non-cumulative Series AT (3)		–	–	1.17	11,000	275	1.56	11,000	275	1.56
Non-cumulative Series AV (3)		–	–	1.17	16,000	400	1.56	16,000	400	1.56
Non-cumulative Series AX (3)		13,000	325	1.53	13,000	325	1.53	13,000	325	1.53
Non-cumulative Series AZ (3), (4)		20,000	500	0.50	–	–	–	–	–	–
Non-cumulative Series BB (3), (4)		20,000	500	0.46	–	–	–	–	–	–
Treasury shares – preferred		1	–	–	47	1	–	42	1	–
Treasury shares – common		892	71	–	666	41	–	543	30	–
Stock options										
Outstanding		8,579	–	–	10,604	–	–	12,304	–	–
Exercisable		4,987	–	–	5,711	–	–	6,544	–	–
Dividends										
Common			4,097	–		3,651	–		3,291	–
Preferred			213	–		253	–		258	–

(1) For further details about our capital management activity, refer to Note 21 of our Annual Consolidated Financial Statements.

(2) Effective February 24, 2010, we have the right to convert into common shares at our option, subject to certain restrictions.

(3) Dividend rate will reset every five years.

(4) NVCC capital instruments.

On October 27, 2014, we announced that the TSX approved our normal course issuer bid (NCIB) to purchase up to 12 million of our common shares, commencing on November 1, 2014 and which may continue until October 31, 2015. Purchases may be made through the TSX, the NYSE and other designated exchanges and published markets in both Canada and the U.S. The price paid for any repurchased shares will be the prevailing market price at the time of acquisition. We determine the amount and timing of the purchase under the NCIB, subject to prior consultation with OSFI. As at December 2, 2014, we have not purchased any shares under the 2015 NCIB.

Our previous NCIB commenced on November 1, 2013 and expired on October 31, 2014. Over the term of the previous bid, we purchased 1.5 million of our common shares. The total cost of the shares repurchased was \$113 million, comprised of a book value of \$16 million, with an additional \$97 million premium paid on repurchase.

On November 14, 2014, all \$200 million outstanding 10% subordinated debentures matured. The maturity proceeds plus accrued interest were paid to the noteholders on the maturity date.

On November 24, 2014, we redeemed all outstanding Non-cumulative 5-Year Rate Reset First Preferred Shares Series AX. The redemption was financed out of general corporate funds.

As at November 28, 2014, the number of outstanding common shares and stock options was 1,442,238,852 and 8,573,404, respectively. As at November 28, 2014, the number of Treasury shares – preferred and Treasury shares – common was (67,007) and (442,349), respectively.

NVCC provisions require the conversion of our capital instruments into a variable number of common shares in the event that OSFI deems the Bank to be non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. If a NVCC trigger event were to occur, our NVCC capital instruments preferred shares Series AZ, preferred shares Series BB, subordinated debentures due on July 17, 2024 and subordinated debentures due on September 29, 2026 would be converted into RBC common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a floor price of \$5.00, and (ii) the current market price of our common shares at the time of the trigger event (10-day weighted average). Based on a floor price of \$5.00 and including an estimate for accrued dividends and interest, these NVCC capital instruments would convert into a maximum of 812 million RBC common shares, on aggregate, which would represent a dilution impact of 36.01% based on the number of RBC common shares outstanding as at October 31, 2014.

Attributed capital

Our methodology for allocating capital to our business segments is based on the higher of fully diversified economic capital and the Basel III regulatory capital requirements. Risk-based capital attribution provides a uniform base for performance measurement among business segments, which compares to our overall corporate return objective and facilitates management decisions in resource allocation in conjunction with other factors.

Attributed capital is calculated and attributed on a wider array of risks compared to Basel III regulatory capital requirements, which are calibrated predominantly to target credit, market (trading) and operational risk measures. Economic capital is our internal quantification of risks associated with business activities which is the capital required to remain solvent under extreme market conditions, reflecting our objective to maintain strong credit ratings. Economic capital is calculated based on credit, market (trading and non-trading), operational, business and fixed asset, and insurance risks, along with capital attribution for goodwill and other intangibles. The common risks between the two frameworks are aligned to reflect increased regulatory requirements.

- Business risk is the risk of loss or harm due to variances in volumes, prices and costs caused by competitive forces, regulatory changes, reputation and strategic risks.
- Fixed asset risk is defined as the risk that the value of fixed assets will be less than their book value at a future date.

For further discussion on Credit, Market, Operational and Insurance risks, refer to the Risk management section.

Attributed capital is also used to assess the adequacy of our capital base. Our policy is to maintain a level of available capital, defined as common equity and other capital instruments with equity-like loss absorption features such as preferred shares that exceed Economic capital with a comfortable cushion.

The calculation and attribution of capital involves a number of assumptions and judgments by management which are monitored to ensure that the economic capital framework remains comprehensive and consistent. The models are benchmarked to leading industry practices via participation in surveys, reviews of methodologies and ongoing interaction with external risk management industry professionals.

The following outlines our attributed capital.

Attributed capital	Table 72	
(Millions of Canadian dollars)	2014	2013
Credit risk	\$ 13,800	\$ 11,800
Market risk (trading and non-trading)	3,900	3,300
Operational risk	4,300	4,050
Business and fixed asset risk	2,750	2,650
Insurance risk	500	500
Goodwill and other intangibles	11,350	10,750
Regulatory capital allocation	4,150	3,400
Attributed capital	\$ 40,750	\$ 36,450
Under attribution of capital (1)	4,950	4,150
Average common equity	\$ 45,700	\$ 40,600

(1) Comparative amount has been restated to reflect the adoption of the amendments to IAS 19 *Employee benefits*.

2014 vs. 2013

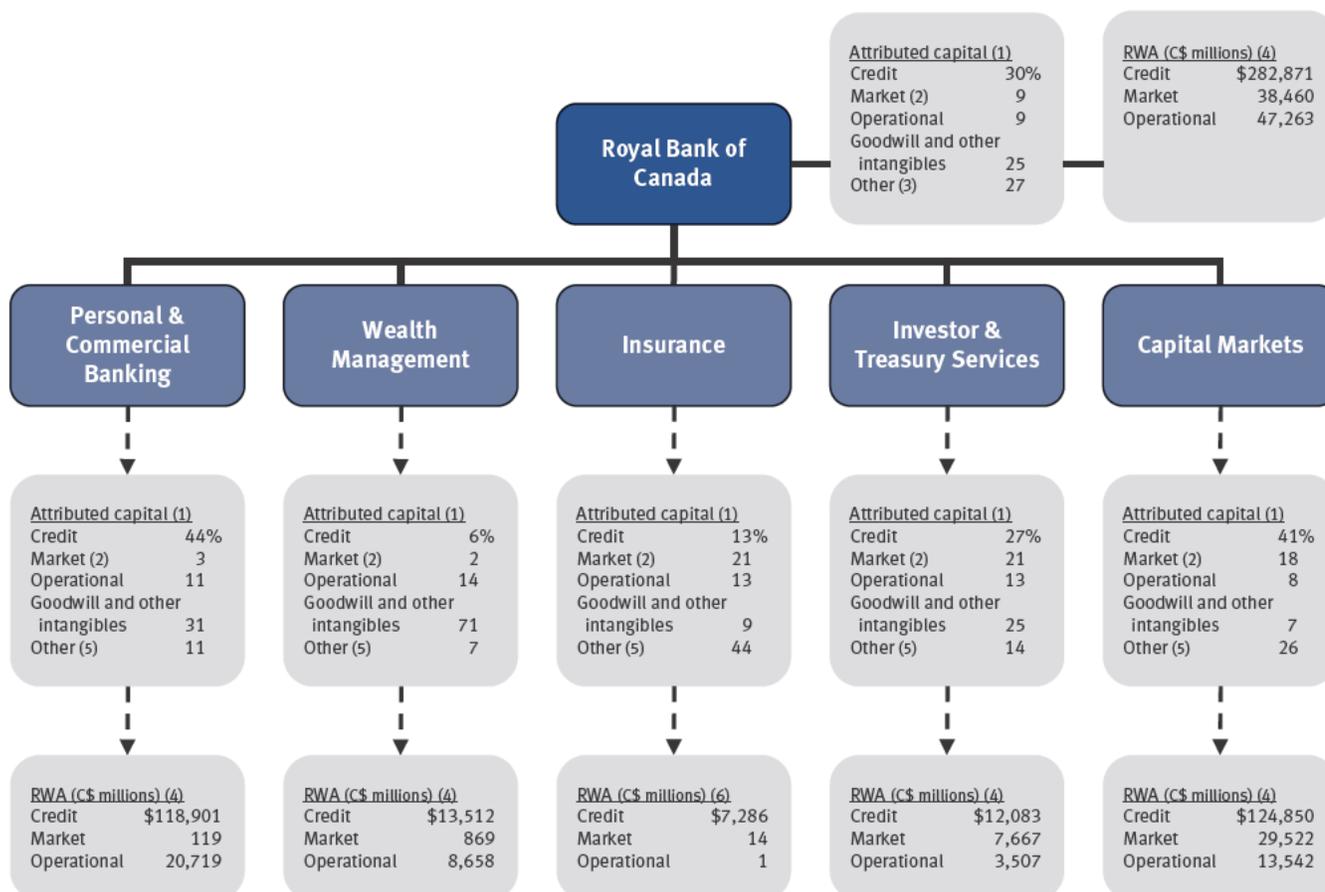
Attributed capital increased \$4.3 billion largely due to an increase in Credit risk reflecting business growth, an update to our risk parameters, and the impact of foreign exchange translation. Market risk increased mainly due to an increase in non-trading interest rate risk and the introduction of structural foreign exchange risks in the first quarter of 2014. Operational and business risks increased due to higher gross revenue. Goodwill and other intangibles risk increased mainly as a result of the impact of foreign exchange translation.

We remain well capitalized with current levels of available capital exceeding the attributed capital required to underpin all of our material risks. For further details on the additional capital, refer to table 66 which provides a summary of OSFI regulatory target ratios.

Attributed capital in the context of our business activities

In carrying out our business activities, we are exposed to a range of risks. The following chart provides a high level view of risks within our business segments, which includes credit, market and operational risks. We have used attributed capital to illustrate the relative size of the risks in each of our businesses. The attributed capital distribution reflects the diversified nature of our business activities. RWA represents our exposure to credit, market and operational risk for regulatory capital requirement.

Within Personal & Commercial Banking, credit risk is the most significant risk, largely related to our personal financial services, business financial services and cards businesses. The primary risks within Wealth Management, which provides services to institutional and individual clients, are operational risk and credit risk. Risks within our Insurance operations are primarily related to insurance risk in our life, health, home and auto businesses followed by market risk and operational risk. The largest risk within Investor & Treasury Services is credit risk, followed by market risk and operational risk. The most significant risk within Capital Markets is credit risk, followed by market risk. For additional information on the risks highlighted below, refer to the Risk management section.



- (1) Attributed capital: An estimate of the amount of equity capital required to underpin risks. It is calculated by estimating the level of capital that is necessary to support our various business, given their risks, consistent with our desired solvency standard and credit ratings.
- (2) Market risk attributed capital: An estimate of the amount of equity capital required to underpin trading market risk and interest rate risk.
- (3) Other – RBC: Includes (a) an estimate of the amount of equity capital required to underpin risks associated with business, fixed assets and insurance risks; (b) a regulatory capital adjustment since attributed capital is determined at the higher of regulatory or economic capital; and (c) unattributed capital reported representing common equity in excess of common equity attributed to our business segments which is reported in the Corporate Support segment only.
- (4) RWA amount above represents RWA for CET1.
- (5) Other – Business segments: Includes (a) An estimate of the amount of equity capital required to underpin risks associated with business, fixed assets and insurance risks; and (b) a regulatory capital adjustment since attributed capital is determined at the business segment level as the greater of regulatory or economic capital.
- (6) Insurance RWA amount above represents our investments in the insurance subsidiaries capitalized at the regulatory prescribed rate as required under Basel CAR filing.

Subsidiary capital

Our capital management framework includes the management of our subsidiaries capital. We invest capital across the enterprise to meet local regulators' capital adequacy requirements and maximize returns to our shareholders. We invest in our subsidiaries as appropriate during the year. We set guidelines for defining capital investments in our subsidiaries and manage the relationship between capital invested in subsidiaries and our consolidated capital base to ensure that we can access capital recognized in our consolidated regulatory capital measurements.

Each of our subsidiaries has responsibility for maintaining its compliance with local regulatory capital adequacy requirements, which may include restrictions on the transfer of assets in the form of cash, dividends, loans or advances. Concurrently, Corporate Treasury provides centralized oversight and consolidated capital management across all subsidiary entities.

Other considerations affecting capital

Capital treatment for equity investments in other entities is determined by a combination of accounting and regulatory guidelines based on the size or nature of the investment. Three broad approaches apply as follows:

- Consolidation: entities which we control are consolidated on our Consolidated Balance Sheets.
- Deduction: certain holdings are deducted in full from our regulatory capital. These include all unconsolidated “substantial investments,” as defined by the Bank Act (Canada) in the capital of financial institutions, as well as all investments in insurance subsidiaries.
- Risk weighting: unconsolidated equity investments that are not deducted from capital are risk weighted at a prescribed rate for determination of capital charges.

Regulatory capital approach for securitization exposures

For our securitization exposures, we use an internal assessment approach (IAA) for exposures related to our ABCP business, and for other securitization exposures we use a combination of approaches including a ratings-based approach and the standardized approach.

While our IAA rating methodologies are based in large part on criteria that are published by External Credit Assessment Institutions (ECAIs) such as S&P and therefore are similar to the methodologies used by these institutions, they are not identical. Our ratings process includes a comparison of the available credit enhancement in a securitization structure to a stressed level of projected losses. The stress level used is determined by the desired risk profile of the transaction. As a result, we stress the cash flows of a given transaction at a higher level in order to achieve a higher rating. Conversely, transactions that only pass lower stress levels achieve lower ratings.

Most of the other securitization exposures (non-ABCP) carry external ratings and we use the lower of our own rating or the lowest external rating for determining the proper capital allocation for these positions. We periodically compare our own ratings to ECAIs ratings to ensure that the ratings provided by ECAIs are reasonable.

GRM has responsibility for providing risk assessments for capital purposes in respect of all our banking book exposures. GRM is independent of the business originating the securitization exposures and performs its own analysis, sometimes in conjunction with but always independent of the applicable business. GRM has developed asset class specific criteria guidelines which provide the rating methodologies for each asset class. The guidelines are reviewed periodically and are subject to the ratings replication process mandated by Pillar I of the Basel rules.

Additional financial information

Exposures to selected financial instruments

Exposure to U.S. subprime and Alt-A through RMBS, CDOs and mortgages

Table 73

	2014				2013			
	Subprime RMBS	Alt-A RMBS	CDOs that may contain subprime or Alt-A	Total	Subprime RMBS	Alt-A RMBS	CDOs that may contain subprime or Alt-A	Total
As at October 31 (Millions of Canadian dollars)								
Fair value of securities	\$ 157	\$ 188	\$ –	\$ 345	\$ 205	\$ 221	\$ 15	\$ 441
Fair value of securities by rating								
AAA	\$ 1	\$ –	\$ –		\$ 8	\$ 8	\$ –	
AA	19	4	–		36	19	–	
A	66	3	–		16	25	–	
BBB	25	–	–		51	11	–	
Below BBB-	46	181	–		94	158	15	
Total	\$ 157	\$ 188	\$ –	\$ 345	\$ 205	\$ 221	\$ 15	\$ 441
Fair value of securities by vintage								
2003 (or before)	\$ –	\$ 23	\$ –		\$ 1	\$ 25	\$ –	
2004	4	19	–		4	43	–	
2005	58	67	–		94	63	15	
2006	73	68	–		38	64	–	
2007 and later	22	11	–		68	26	–	
Total	\$ 157	\$ 188	\$ –	\$ 345	\$ 205	\$ 221	\$ 15	\$ 441
Amortized cost of subprime/Alt-A mortgages (whole loans)	\$ 10	\$ 41	\$ –	\$ 51	\$ 7	\$ 26	\$ –	\$ 33
Total subprime and Alt-A exposures	\$ 167	\$ 229	\$ –	\$ 396	\$ 212	\$ 247	\$ 15	\$ 474

Sensitivities of fair value of securities to changes in assumptions:

100bps increase in credit spread	\$ (4)	\$ (8)
100bps increase in interest rates	(1)	(18)
20% increase in default rates	(2)	(2)
25% decrease in prepayment rates	(2)	6

Certain activities and transactions we enter into expose us to the risk of default of U.S. subprime and Alt-A residential mortgages. Our exposures to U.S. subprime and Alt-A residential mortgages of \$396 million represented less than 0.1% of our total assets as at October 31, 2014, compared to \$474 million or 0.1% last year. The decrease of \$78 million was primarily due to the sale of securities.

2014 vs. 2013

Our total holdings of RMBS noted in the table above may be exposed to U.S. subprime risk. As at October 31, 2014, our U.S. subprime RMBS exposure of \$157 million decreased \$48 million or 23% from last year, primarily due to the sale of certain securities. Of this exposure, \$86 million or 55% of our related holdings were rated A and above, an increase of \$26 million from last year due to the purchase of certain securities.

As at October 31, 2014, U.S. subprime RMBS holdings rated AAA comprised 1% of our total U.S. subprime RMBS holdings compared with 4% last year, primarily due to the sale of certain securities. As at October 31, 2014, our exposure to U.S. subprime loans of \$10 million increased \$3 million, largely reflecting the purchase of certain securities.

Of our total portfolio of RMBS, holdings with a fair value of \$188 million may be exposed to U.S. Alt-A risk. U.S. Alt-A exposures, decreased \$33 million from last year, with approximately 42% issued during 2006 and onwards, which compares to 41% last year. As at October 31, 2014, our exposure to U.S. Alt-A loans of \$41 million increased \$15 million from last year due to the purchase of certain securities.

Of our total portfolio of CDOs, we have no holdings that are exposed to U.S. subprime or Alt-A risk. As at October 31, 2014, the fair value of our corporate CDOs, which were predominantly comprised of \$812 million of corporate collateralized loan obligations, decreased \$600 million from last year mainly due to the redemption of certain securities.

Off-balance sheet arrangements

For details on our off-balance sheet arrangements including multi-seller conduits, structured investment vehicles and other variable interest entities as at October 31, 2014, refer to the Off-balance sheet arrangements section.

Leveraged finance

Leveraged lending involves the provision of debt financing to borrowers where proceeds are generally used to finance equity buyouts, mergers and acquisitions, business recapitalizations, and include bridge facilities that meet certain leverage criteria. We revised our definition during the year as we previously defined leveraged finance as primarily being related with a financial sponsor-related entity. This definition is subject to refinement moving forward. As at October 31, 2014, our total commitments, including funded and unfunded amounts, were \$16.4 billion.

Commercial mortgage-backed securities

The fair value of our total direct holdings of commercial mortgage-backed securities was \$115 million as at October 31, 2014.

Assets and liabilities measured at fair value

Our financial instruments carried at fair value are classified as Level 1, 2, or 3, in accordance with the fair value hierarchy set out in IFRS 13 Fair Value Measurement. For further details on the fair value of our financial instruments and transfers between levels of the fair value hierarchy, refer to Note 3 of our 2014 Annual Consolidated Financial Statements.

The following table presents the total fair value of each major class of financial assets and financial liabilities measured at fair value and the percentage of the fair value of each class categorized as Level 1, 2, or 3 as at October 31, 2014.

Assets and liabilities measured at fair value		Table 74				
		As at October 31, 2014				
(Millions of Canadian dollars, except percentage amounts)	Fair value (1)	Level 1 (1)	Level 2 (1)	Level 3 (1)	Total	
Financial assets						
Securities at FVTPL	\$ 151,380	43%	56%	1%	100%	
Available-for-sale	45,995	17	74	9	100	
Assets purchased under reverse repurchase agreements and securities borrowed	85,292	0	100	0	100	
Loans – Wholesale	3,615	0	87	13	100	
Derivatives	144,470	2	97	1	100	
Financial liabilities						
Deposits	\$ 79,439	0%	99%	1%	100%	
Obligations related to securities sold short	50,345	65	35	0	100	
Obligations related to assets sold under repurchase agreements and securities loaned	58,411	0	100	0	100	
Derivatives	145,964	2	97	1	100	

(1) The derivative assets and liabilities presented in the table above do not reflect the impact of netting.

Accounting and control matters

Critical accounting policies and estimates

Application of critical accounting policies and estimates

Our significant accounting policies are described in Note 2 to our 2014 Annual Consolidated Financial Statements. Certain of these policies, as well as estimates made by management in applying such policies, are recognized as critical because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that significantly different amounts could be reported under different conditions or using different assumptions. Our critical accounting policies and estimates relate to the fair value of financial instruments, allowance for credit losses, goodwill and other intangible assets, employee benefits, consolidation, derecognition of financial assets, and income taxes. Our critical accounting policies and estimates have been reviewed and approved by our Audit Committee, in consultation with management, as part of their review and approval of our significant accounting policies, estimates and judgments.

Fair value of financial instruments

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

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

We have established policies, procedures and controls for valuation methodologies and techniques to ensure fair value is reasonably estimated. Major valuation processes and controls include, but are not limited to, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed daily for trading portfolios. All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. Other valuation techniques are used when a price or quote is not available. Some valuation processes use valuation models to determine fair value. We have a systematic and consistent approach to control model use. Valuation models are approved for use within our model risk management framework. The framework addresses, among other things, model development standards, validation processes and procedures, and approval authorities. One significant model control is the validation process. The purpose of model validation is to ensure that a model is suitable for its intended use and to set limitations for its use. All models are re-validated regularly.

Other controls include the use of a documented third-party pricing source list. The third-party pricing source list gives priority to those services and prices having the highest and most consistent accuracy. The level of accuracy is determined over time by comparing third-party price values to traders' or system values, to other pricing service values and, when available, to actual trade data.

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

Where observable prices or inputs are not available, management judgment is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For instruments not traded in an active market, fair value is determined using a valuation technique that maximizes the use of observable market inputs to the extent available. For more complex or illiquid instruments, significant judgment is required in the determination of the model used, the selection of model inputs, and in some cases the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which an arm's length transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market risk valuation adjustments for such inputs and other model risk valuation adjustments are assessed in all such instances.

We record valuation adjustments to appropriately reflect counterparty credit quality of our derivative portfolio, differences between the overnight index swap (OIS) curve and London Interbank Offered Rates (LIBOR) for collateralized derivatives, funding valuation adjustments (FVA) for uncollateralized and under-collateralized over-the-counter (OTC) derivatives, unrealized gains or losses at inception of the transaction, bid-offer spreads and unobservable parameters. These adjustments may be subjective as they require significant judgment in the input selection, such as probability of default and recovery rate, and are intended to arrive at fair value that is determined based on assumptions that market participants would use in pricing the financial instrument. The realized price for a transaction may be different from its recorded value that is previously estimated using management judgment, and may therefore impact unrealized gains and losses recognized in Non-interest income – Trading revenue or Other.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amounts of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated daily and changes are recorded in Non-interest income – Trading revenue.

In the determination of fair value of collateralized OTC derivatives using the OIS curve, our valuation approach accounts for the difference between certain OIS rates and LIBOR for derivatives valuation as valuation adjustments.

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

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

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

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

We classify our financial instruments measured at fair value on a recurring basis into three levels based on the transparency of the inputs used to measure the fair values of the instruments. As at October 31, 2014, Level 2 instruments, whose fair values are based on observable inputs, include \$355 billion of financial assets (2013 – \$296 billion) and \$296 billion of financial liabilities (2013 – \$234 billion). These amounts represent 81% of our total financial assets at fair value (2013 – 79%) and 89% of our total financial liabilities at fair value (2013 – 85% respectively). Level 3 instruments, whose valuations include significant unobservable inputs, include \$6 billion of financial assets (2013 – \$8 billion) and \$2 billion of financial liabilities (2013 – \$8 billion), representing 1% of our total financial assets at fair value (2013 – 2% and 1% of our total financial liabilities at fair value (2013 – 3%), respectively.

At each reporting date or more frequently when conditions warrant, we evaluate our AFS securities to determine whether there is any objective evidence of impairment, such as a significant or prolonged decline in the fair value of the security below its cost or when an adverse effect on future cash flows from the security can be reliably estimated. When assessing impairment for debt instruments we primarily considered counterparty ratings and security-specific factors, including collateral, external ratings, subordination and other market factors. For complex debt instruments including U.S. non-agency MBS, ABS and other structured products, we also use cash flow projection models which incorporate actual and projected cash flows for each security using a number of assumptions and inputs that are based on security specific factors. The inputs and assumptions used such as default, prepayment and recovery rates are based on updated market data. For U.S. non-agency MBS, recovery rates are largely dependent upon forecasted property prices which were assessed at the municipal level, provided by a third-party vendor. In addition, we also consider the transaction structure and credit enhancement for the structured securities. If the result indicates that we will not be able to recover the entire principal and interest amount, we do a further review of the security in order to assess whether a loss would ultimately be realized. As equity securities do not have contractual cash flows, they are assessed differently than debt securities. In assessing whether there is any objective evidence that suggests that the security is impaired we consider factors which include the length of time and extent the fair value has been below the cost and the financial condition and near term prospects of the issuer. We also consider the estimated recoverable value and the period of recovery. We conduct further analysis for securities where the fair value had been below cost for greater than twelve months. If an AFS security is impaired, the cumulative unrealized losses previously recognized in Other components of equity are recognized directly in income under Non-interest income. As at October 31, 2014, our gross unrealized losses on AFS securities were \$181 million (2013 – \$293 million). Refer to Note 3 to our 2014 Annual Consolidated Financial Statements for more information.

Allowance for credit losses

We maintain allowance for credit losses relating to on-balance sheet exposures, such as loans and acceptances, and off-balance sheet items such as letters of credit, guarantees and unfunded commitments, at levels that management considers appropriate to cover credit related losses incurred as at the balance sheet date.

Allowances are determined individually for loans that are individually significant, and collectively for loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment, using current and historical credit information in both quantitative and qualitative assessments. For further information on allowance for credit losses, refer to Note 5 to our 2014 Annual Consolidated Financial Statements.

Individually assessed loans

Loans which are individually significant are assessed individually for objective indicators of impairment. A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value.

Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is recognized in income and is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs of disposal.

Collectively assessed loans

Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.

The collective impairment allowance is determined by reviewing factors including: (i) historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics, and (ii) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the balance sheet date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Future cash flows for a group of loans are collectively evaluated for impairment on the basis of the contractual cash flows of the loans in the group and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-off of loans

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

Total allowance for credit losses

Based on the procedures discussed above, management believes that the total allowance for credit losses of \$2,085 million is adequate to absorb estimated credit losses incurred in the lending portfolio as at October 31, 2014 (2013 – \$2,050 million). This amount includes \$91 million (2013 – \$91 million) classified in Provisions under Other Liabilities on our Consolidated Balance Sheets, which relates to off-balance sheet and other items.

Goodwill and other intangible assets

We allocate goodwill to groups of cash-generating units (CGU). Goodwill is not amortized and is tested for impairment on an annual basis, or more frequently if there are objective indications of impairment. We test for impairment by comparing the recoverable amount of a CGU with its carrying amount. A CGU's recoverable amount is the higher of its fair value less cost of disposal and its value in use. The carrying amount of a CGU comprises the carrying amount of assets, liabilities, and goodwill allocated to the CGU. When the carrying value of a CGU exceeds its recoverable amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU proportionally based on the carrying amount of each asset. Any impairment charge is recognized in income in the period it is identified. Subsequent reversals of goodwill impairment are prohibited.

We estimate the value in use and fair value less costs of disposal of our CGUs primarily using a discounted cash flow method which incorporates each CGU's internal forecasts of revenues and expenses. Significant management judgment is applied in the determination of expected future cash flows (uncertainty in timing and amount), discount rates (based on CGU-specific risks) and terminal growth rates. CGU-specific risks include country risk, business/operational risk, geographic risk (including political risk, devaluation risk and government regulation), currency risk and price risk (including product pricing risk and inflation). If the forecast earnings and other assumptions in future periods deviate significantly from the current amounts used in our impairment testing, the value of our goodwill could become impaired.

Other intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives as follows: computer software – 3 to 10 years and customer relationships – 10 to 20 years. They are tested for impairment when there is an indication that an asset may be impaired. An impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss. An impairment loss recognized previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss recognized. Significant judgment is applied in estimating the useful lives and recoverable amounts of our intangible assets and assessing whether certain events or circumstances constitute objective evidence of impairment. We do not have any intangible assets with indefinite lives.

As at October 31, 2014, we had \$8.6 billion of goodwill (2013 – \$8.3 billion) and \$2.8 billion of other intangible assets (2013 – \$2.8 billion). For further details, refer to Notes 2 and 10 to our 2014 Annual Consolidated Financial Statements.

Employee benefits

We sponsor a number of benefit programs for eligible employees, including registered pension plans, supplemental pension plans, health, dental, disability and life insurance plans.

The calculation of defined benefit expenses and obligations depends on various assumptions such as discount rates, healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. The discount rate assumption is determined using spot rates from a derived Aa corporate bond yield curve for our Canadian pension and other post-employment plans, and spot rates from an Aa corporate bond yield curve for our International pension and other post-employment plans. All other assumptions are determined by management, applying significant judgment, and are reviewed by the actuaries. Actual experience that differs from the actuarial assumptions will affect the amounts of benefit obligations and remeasurements that we recognize. The weighted average assumptions used and the sensitivity of key assumptions are presented in Note 17 to our 2014 Annual Consolidated Financial Statements.

Consolidation

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

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

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

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

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

For further details, refer to Off-balance sheet arrangements and Note 7 to our Annual Consolidated Financial Statements.

Derecognition of financial assets

We periodically enter into transactions in which we transfer financial assets such as loans or packaged mortgage-backed securities (MBS) to structured entities or trusts that issue securities to investors. We derecognized the assets when our contractual rights to the cash flows from the assets have expired, when we retain the rights to receive the cash flows but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements, or when we transfer our contractual rights to receive the cash flows and substantially all of the risks and rewards of the assets have been transferred. When we retain substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized from our Consolidated Balance Sheets and are accounted for as secured financing transactions. When we neither retain nor transfer substantially all risks and rewards of ownership of the assets, we derecognize the assets if control over the assets is relinquished. If we retain control over the transferred assets, we continue to recognize the transferred assets to the extent of our continuing involvement. Management's judgment is applied in determining whether we have transferred or retained substantially all risk and rewards of ownership of the transferred financial asset.

The majority of assets transferred under repurchase agreements, securities lending agreements, and in our Canadian residential mortgage securitization transactions do not qualify for derecognition; as a result, we continue to record the associated transferred assets on our Consolidated Balance Sheets and no gains or losses are recognized for these securitization activities. Otherwise, a gain or loss is recognized on securitization by comparing the carrying amount of the transferred asset with its fair value at the date of the transfer. As at October 31, 2014, the carrying and fair values of the transferred assets that do not qualify for derecognition were \$101 billion and \$101 billion, respectively (2013 – \$104 billion and \$103 billion), and the carrying and fair values of the associated liabilities totalled \$101 billion and \$102 billion, respectively (2013 – \$103 billion and \$104 billion). For further information on derecognition of financial assets, refer to Note 6 to our 2014 Annual Consolidated Financial Statements.

Income Taxes

We are subject to income tax laws in various jurisdictions where we operate, and the complex tax laws are potentially subject to different interpretations by us and the relevant taxation authority. Management's judgment is applied in the interpretation of the relevant tax laws and in the estimation of the provision for current and deferred income taxes, including the expected timing and amount of the realization. A deferred tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect in the period that the asset is realized or the liability is settled. Where the temporary differences will not reverse in the foreseeable future, no deferred tax amount is recognized.

On a quarterly basis, we review whether it is probable that the benefits associated with our deferred tax assets will be realized, using both positive and negative evidence. Refer to Note 24 to our 2014 Annual Consolidated Financial Statements for further information.

Changes in accounting policies and disclosure

We have adopted several new and amended IFRS standards effective November 1, 2013. These new and amended standards include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IFRS 13 Fair Value Measurement, IAS 19 Employee Benefits, IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities, and the own credit provisions of IFRS 9 Financial Instruments. Refer to Note 2 to our 2014 Annual Consolidated Financial Statements for details of these changes.

Future changes in accounting policies and disclosure

Effective November 1, 2014, we will adopt amendments to IAS 32 *Financial Instruments: Presentation* and IFRS Interpretations Committee Interpretation 21 *Levies*. Refer to Note 2 to our 2014 Annual Consolidated Financial Statements for details of the new standards. The adoption of these new or amended standards is not expected to have a material impact on our consolidated financial statements.

Controls and procedures

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer, and the Chief Administrative Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of October 31, 2014, management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Chief Administrative Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as defined under rules adopted by the United States Securities and Exchange Commission. Based on that evaluation, the President and Chief Executive Officer and the Chief Administrative Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 31, 2014.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. See Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm.

No changes were made in our internal control over financial reporting during the year ended October 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Related party transactions

In the ordinary course of business, we provide normal banking services, operational services, and enter into other transactions with associated and other related corporations, including our joint venture entities, on terms similar to those offered to non-related parties. We grant loans to directors, officers and other employees at rates normally accorded to preferred clients. In addition, we offer deferred share and other plans to non-employee directors, executives and certain other key employees. For further information, refer to Notes 12 and 28 of our 2014 Annual Consolidated Financial Statements.

Net interest income on average assets and liabilities

Table 75

(Millions of Canadian dollars, except for percentage amounts)	Average balances			Interest			Average rate		
	2014	2013	2012 (1)	2014	2013	2012 (1)	2014	2013	2012 (1)
Assets									
Deposits with other banks (2)									
Canada	\$ 1,692	\$ 1,355	\$ 1,104	\$ 61	\$ 57	\$ 30	3.61%	4.21%	2.72%
U.S.	540	426	899	1	4	8	0.19	0.94	0.89
Other International	5,227	7,370	3,496	14	13	16	0.27	0.18	0.46
	7,459	9,151	5,499	76	74	54	1.02%	0.81%	0.98%
Securities									
Trading	149,920	137,064	122,573	3,322	3,113	3,027	2.22	2.27	2.47
Available-for-sale	43,047	37,809	36,838	671	666	811	1.56	1.76	2.20
	192,967	174,873	159,411	3,993	3,779	3,838	2.07	2.16	2.41
Asset purchased under reverse repurchase agreements and securities borrowed	136,857	123,766	103,042	971	941	937	0.71	0.76	0.91
Loans (2), (3)									
Canada									
Retail	314,159	301,887	292,899	12,245	12,077	11,961	3.90	4.00	4.08
Wholesale	54,681	50,248	37,204	2,721	2,486	2,180	4.98	4.95	5.86
	368,840	352,135	330,103	14,966	14,563	14,141	4.06	4.14	4.28
U.S.	28,402	22,691	18,802	888	776	702	3.13	3.42	3.73
Other International	25,067	21,129	14,251	1,125	1,015	1,097	4.49	4.80	7.70
	422,309	395,955	363,156	16,979	16,354	15,940	4.02	4.13	4.39
Total interest-earning assets	759,592	703,745	631,108	22,019	21,148	20,769	2.90	3.01	3.29
Non-interest-bearing deposits with other banks	13,495	11,511	9,322	—	—	—	—	—	—
Customers' liability under acceptances	10,725	9,663	8,617	—	—	—	—	—	—
Other assets (2)	122,688	127,081	153,953	—	—	—	—	—	—
Total assets	\$ 906,500	\$ 852,000	\$ 803,000	\$ 22,019	\$ 21,148	\$ 20,769	2.43%	2.48%	2.59%
Liabilities and shareholders' equity									
Deposits (2), (4)									
Canada	415,509	375,864	349,053	5,416	5,242	5,368	1.30%	1.39%	1.54%
U.S.	50,459	43,076	39,255	158	169	209	0.31	0.39	0.53
Other International	54,267	48,953	38,113	299	283	471	0.55	0.58	1.24
	520,235	467,893	426,421	5,873	5,694	6,048	1.13	1.22	1.42
Obligations related to securities sold short	50,548	48,979	43,080	1,494	1,579	1,584	2.96	3.22	3.68
Obligations related to assets sold under repurchase agreements and securities loaned	68,594	70,881	55,369	278	279	327	0.41	0.39	0.59
Subordinated debentures	6,632	8,216	8,156	246	336	360	3.71	4.09	4.41
Other interest-bearing liabilities	251	484	429	12	11	11	4.78	2.27	2.56
Total interest-bearing liabilities	646,260	596,453	533,455	7,903	7,899	8,330	1.22	1.32	1.56
Non-interest-bearing deposits	72,867	69,823	64,179	—	—	—	—	—	—
Acceptances	10,725	9,663	8,617	—	—	—	—	—	—
Other liabilities (2)	124,643	129,118	154,108	—	—	—	—	—	—
Total liabilities	\$ 854,495	\$ 805,057	\$ 760,359	\$ 7,903	\$ 7,899	\$ 8,330	0.92%	0.98%	1.10%
Equity	52,005	46,943	42,641	—	n.a.	n.a.	n.a.	n.a.	n.a.
Total liabilities and shareholders' equity	\$ 906,500	\$ 852,000	\$ 803,000	\$ 7,903	\$ 7,899	\$ 8,330	0.87%	0.93%	1.04%
Net interest income and margin	\$ 906,500	\$ 852,000	\$ 803,000	\$ 14,116	\$ 13,249	\$ 12,439	1.56%	1.56%	1.55%
Net interest income and margin (average earning assets)									
Canada	\$ 497,436	\$ 471,448	\$ 441,562	\$ 11,121	\$ 10,956	\$ 10,357	2.24%	2.32%	2.35%
U.S.	135,876	116,016	87,845	1,896	1,603	1,308	1.40	1.38	1.49
Other International	126,280	116,281	101,701	1,099	690	774	0.87	0.59	0.76
Total	\$ 759,592	\$ 703,745	\$ 631,108	\$ 14,116	\$ 13,249	\$ 12,439	1.86%	1.88%	1.97%

(1) On a continuing operations basis.

(2) In 2012, we reclassified cash collateral for 2012 and 2011 paid from Interest bearing deposits with banks and Loans-wholesale to Other assets and cash collateral received from Deposits to Other liabilities.

(3) Interest income includes loan fees of \$516 million (2013 – \$509 million; 2012 – \$467 million).

(4) Deposits include savings deposits with average balances of \$133 billion (2013 – \$124 billion; 2012 – \$109 billion), interest expense of \$.7 billion (2013 – \$.7 billion; 2012 – \$.6 billion) and average rates of .5% (2013 – .6%; 2012 – .6%). Deposits also include term deposits with average balances of \$302 billion (2013 – \$273 billion; 2012 – \$264 billion), interest expense of \$4.4 billion (2013 – \$4.3 billion; 2012 – \$4.6 billion) and average rates of 1.47% (2013 – 1.57%; 2012 – 1.74%).

Change in net interest income

Table 76

(Millions of Canadian dollars)	2014 vs. 2013			2013 vs. 2012 ⁽¹⁾		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume ⁽²⁾	Average rate ⁽²⁾	Net change	Average volume ⁽²⁾	Average rate ⁽²⁾	Net change
Assets						
Deposits with other banks ⁽³⁾						
Canada ⁽⁴⁾	\$ 14	(10)	4	7	20	27
U.S. ⁽⁴⁾	1	(4)	(3)	(4)	–	(4)
Other international ⁽⁴⁾	(4)	5	1	18	(21)	(3)
Securities						
Trading	292	(83)	209	358	(272)	86
Available-for-sale	92	(87)	5	21	(166)	(145)
Asset purchased under reverse repurchase agreements and securities borrowed	100	(70)	30	188	(184)	4
Loans ⁽³⁾						
Canada						
Retail	491	(323)	168	367	(251)	116
Wholesale	219	16	235	764	(458)	306
U.S.	195	(83)	112	145	(71)	74
Other international	189	(79)	110	529	(611)	(82)
Total interest income	\$ 1,589	\$ (718)	\$ 871	\$ 2,393	\$ (2,014)	\$ 379
Liabilities						
Deposits ⁽³⁾						
Canada	553	(379)	174	412	(538)	(126)
U.S.	29	(40)	(11)	20	(60)	(40)
Other international	31	(15)	16	134	(322)	(188)
Obligations related to securities sold short	51	(136)	(85)	217	(222)	(5)
Obligations related to assets sold under repurchase agreements and securities loaned	(9)	8	(1)	92	(140)	(48)
Subordinated debentures	(65)	(25)	(90)	3	(27)	(24)
Other interest-bearing liabilities	(5)	6	1	1	(1)	-
Total interest expense	\$ 585	\$ (581)	\$ 4	\$ 879	\$ (1,310)	\$ (431)
Net interest income	\$ 1,004	\$ (137)	\$ 867	\$ 1,514	\$ (704)	\$ 810

(1) On a continuing operations basis.

(2) Volume/rate variance is allocated on the percentage relationships of changes in balances and changes in rates to the total net change in net interest income.

(3) In 2012, we reclassified cash collateral for 2012 and 2011 paid from interest bearing deposits with banks and Loans-wholesale to Other assets and cash collateral received from Deposits to Other liabilities.

(4) Geographic classification for selected assets and liabilities is based on the domicile of the booking point of the subject assets and liabilities.

Loans and acceptances by geography

Table 77

As at October 31 (Millions of Canadian dollars)	IFRS				Canadian GAAP
	2014	2013	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽¹⁾
Canada					
Residential mortgages	\$ 215,624	\$ 206,134	\$ 195,552	\$ 185,620	\$ 124,064
Personal	86,984	85,701	80,000	75,668	69,291
Credit cards	14,650	13,902	13,422	12,723	9,704
Small business	4,785	4,388	2,503	2,481	2,712
Retail	322,043	310,125	291,477	276,492	205,771
Business	63,925	58,959	51,212	45,186	45,217
Sovereign	3,840	3,807	3,751	3,304	2,785
Bank	413	823	390	747	808
Wholesale	\$ 68,178	\$ 63,589	\$ 55,353	\$ 49,237	\$ 48,810
	\$ 390,221	\$ 373,714	\$ 346,830	\$ 325,729	\$ 254,581
U.S.					
Retail	4,686	3,734	3,138	3,101	4,230
Wholesale	23,639	19,443	17,081	11,094	7,584
	28,325	23,177	20,219	14,195	11,814
Other International					
Retail	8,258	6,768	5,673	5,152	4,936
Wholesale	21,881	17,103	16,900	12,110	11,084
	30,139	23,871	22,573	17,262	16,020
Total loans and acceptances	\$ 448,685	\$ 420,762	\$ 389,622	\$ 357,186	\$ 282,415
Total allowance for loan losses	(1,994)	(1,959)	(1,996)	(1,967)	(2,038)
Total loans and acceptances, net of allowance for loan losses	\$ 446,691	\$ 418,803	\$ 387,626	\$ 355,219	\$ 280,377

(1) On a continuing operations basis.

As at October 31 (Millions of Canadian dollars)	IFRS				Canadian GAAP
	2014	2013	2012 (1)	2011 (1)	2010 (1)
Residential mortgages	\$ 219,257	\$ 209,238	\$ 198,324	\$ 188,406	\$ 126,790
Personal	96,021	92,859	85,800	80,921	75,519
Credit cards	14,924	14,142	13,661	12,937	9,916
Small business	4,785	4,388	2,503	2,481	2,712
Retail	\$ 334,987	\$ 320,627	\$ 300,288	\$ 284,745	\$ 214,937
Business					
Agriculture	5,694	5,441	5,202	4,880	4,705
Automotive	6,209	6,167	3,585	3,025	3,228
Consumer goods	7,172	6,230	5,432	5,341	5,202
Energy	9,615	8,906	8,802	6,394	5,869
Non-bank financial services	5,688	4,903	3,895	2,007	4,593
Forest products	979	893	811	698	726
Industrial products	4,665	4,038	3,938	3,381	3,143
Mining & metals	1,320	1,074	965	1,122	587
Real estate & related	30,387	24,413	20,650	15,569	12,651
Technology & media	4,822	4,006	4,203	2,712	2,257
Transportation & environment	5,432	5,593	5,221	4,927	3,546
Other (2)	25,886	22,755	21,447	17,011	15,290
Sovereign	4,628	4,396	4,193	4,050	3,765
Bank	1,201	1,320	990	1,324	1,916
Wholesale	\$ 113,698	\$ 100,135	\$ 89,334	\$ 72,441	\$ 67,478
Total loans and acceptances	\$ 448,685	\$ 420,762	\$ 389,622	\$ 357,186	\$ 282,415
Total allowance for loan losses	(1,994)	(1,959)	(1,996)	(1,967)	(2,038)
Total loans and acceptances, net of allowance for loan losses	\$ 446,691	\$ 418,803	\$ 387,626	\$ 355,219	\$ 280,377

(1) On a continuing operations basis.

(2) Other in 2014 related to financing products, \$3.7 billion; health, \$4.0 billion; holding and investments, \$6.9 billion; other services, \$8.3 billion; and other, \$3.0 billion.

As at October 31 (Millions of Canadian dollars, except for percentage amounts)	IFRS				Canadian GAAP
	2014	2013	2012 (1)	2011 (1)	2010 (1)
Residential mortgages	\$ 678	\$ 691	\$ 674	\$ 719	\$ 691
Personal	300	363	273	289	278
Small business	47	37	33	40	49
Retail	1,025	1,091	980	1,048	1,018
Business					
Agriculture	\$ 40	\$ 43	\$ 52	\$ 75	\$ 74
Automotive	12	12	17	38	97
Consumer goods	108	101	83	91	91
Energy	6	14	2	33	104
Non-bank financial services	3	1	5	13	28
Forest products	25	26	30	27	49
Industrial products	48	54	88	38	102
Mining & metals	9	2	2	4	8
Real estate & related	314	367	353	464	560
Technology & media	38	117	251	47	68
Transportation & environment	32	98	73	105	52
Other (2)	315	272	312	311	385
Sovereign	–	–	–	–	9
Bank	2	3	2	33	34
Wholesale	952	1,110	1,270	1,279	1,661
Total impaired loans (3)	\$ 1,977	\$ 2,201	\$ 2,250	\$ 2,327	\$ 2,679
Canada					
Residential mortgages	\$ 388	\$ 464	\$ 475	\$ 567	\$ 544
Personal	224	229	206	188	174
Small business	47	36	34	40	49
Retail	659	729	715	795	767
Business					
Agriculture	36	38	44	62	71
Automotive	11	9	11	30	87
Consumer goods	70	58	34	48	53
Energy	4	14	–	25	65
Non-bank financial services	1	1	3	1	1
Forest products	6	8	12	7	11
Industrial products	41	40	34	26	99
Mining & metals	9	2	2	2	4
Real estate & related	171	169	153	164	177
Technology & media	37	86	238	43	55
Transportation & environment	11	21	22	12	42
Other	90	80	88	93	106
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	487	526	641	513	771
Total	\$ 1,146	\$ 1,255	\$ 1,356	\$ 1,308	\$ 1,538
U.S.					
Retail	\$ 13	\$ 14	\$ 7	\$ 6	\$ –
Wholesale	18	98	162	116	364
Total	\$ 31	\$ 112	\$ 169	\$ 122	\$ 364
Other International					
Retail	\$ 353	\$ 348	\$ 258	\$ 247	\$ 251
Wholesale	447	486	467	650	526
Total	\$ 800	\$ 834	\$ 725	\$ 897	\$ 777
Total impaired loans	\$ 1,977	\$ 2,201	\$ 2,250	\$ 2,327	\$ 2,679
Allowance against impaired loans	(632)	(599)	(636)	(605)	(721)
Net impaired loans	\$ 1,345	\$ 1,602	\$ 1,614	\$ 1,722	\$ 1,958
Gross impaired loans as a % of loans and acceptances					
Residential mortgages	0.31%	0.33%	0.34%	0.38%	0.54%
Personal	0.31%	0.39%	0.32%	0.36%	0.37%
Small business	0.98%	0.83%	1.32%	1.61%	1.81%
Retail	0.31%	0.34%	0.33%	0.37%	0.47%
Wholesale	0.84%	1.11%	1.42%	1.77%	2.46%
Total	0.44%	0.52%	0.58%	0.65%	0.95%
Allowance against impaired loans as a % of gross impaired loans	31.98%	27.22%	28.33%	26.00%	26.91%

(1) On a continuing operations basis.

(2) Other in 2014 is related to health, \$18 million; holding and investments, \$132 million; other services, \$99 million; and other, \$66 million.

(3) Past due loans greater than 90 days not included in impaired loans were \$316 million in 2014 (2013 – \$346 million; 2012 – \$393 million; 2011 – \$525 million; 2010 – \$180 million).

(Millions of Canadian dollars, except for percentage amounts)	IFRS				Canadian GAAP
	2014	2013	2012 (1)	2011 (1)	2010 (1)
Residential mortgages	\$ 94	\$ 41	\$ 67	\$ 42	\$ 25
Personal	441	458	445	438	457
Credit cards	353	354	394	448	399
Small business	44	32	43	35	45
Retail	\$ 932	\$ 885	\$ 949	\$ 963	\$ 926
Business					
Agriculture	\$ 3	\$ 4	\$ 8	\$ 7	\$ 18
Automotive	2	3	(2)	(4)	15
Consumer goods	27	17	27	14	29
Energy	27	(6)	(11)	(20)	(6)
Non-bank financial services	–	10	1	(11)	(34)
Forest products	7	4	5	5	3
Industrial products	14	21	32	3	(6)
Mining & metals	2	1	–	–	(1)
Real estate & related	58	62	82	66	184
Technology & media	14	157	102	(3)	5
Transportation & environment	2	35	47	29	10
Other (2)	76	44	61	82	76
Sovereign	–	–	–	–	–
Bank	–	–	–	–	15
Wholesale	\$ 232	\$ 352	\$ 352	\$ 168	\$ 308
Total provision for credit losses on impaired loans	\$ 1,164	\$ 1,237	\$ 1,301	\$ 1,131	\$ 1,234
Canada					
Residential mortgages	\$ 27	\$ 27	\$ 34	\$ 25	\$ 7
Personal	393	391	413	408	444
Credit cards	345	346	391	448	399
Small business	44	32	43	35	45
Retail	\$ 809	\$ 796	\$ 881	\$ 916	\$ 895
Business					
Agriculture	4	4	8	7	18
Automotive	3	3	(2)	(3)	15
Consumer goods	25	16	13	13	17
Energy	(5)	(6)	(11)	(9)	3
Non-bank financial services	–	–	1	–	(1)
Forest products	1	3	5	4	3
Industrial products	14	14	12	3	(4)
Mining & metals	2	1	–	1	2
Real estate & related	34	37	43	31	35
Technology & media	14	50	98	6	(6)
Transportation & environment	3	2	10	5	10
Other	28	25	30	44	30
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	\$ 123	\$ 149	\$ 207	\$ 102	\$ 122
Total	\$ 932	\$ 945	\$ 1,088	\$ 1,018	\$ 1,017
U.S.					
Retail	2	3	4	4	–
Wholesale	40	32	29	(19)	62
	\$ 42	\$ 35	\$ 33	\$ (15)	\$ 62
Other International					
Retail	121	86	64	43	31
Wholesale	69	171	116	85	124
	\$ 190	\$ 257	\$ 180	\$ 128	\$ 155
Total provision for credit losses on impaired loans	\$ 1,164	\$ 1,237	\$ 1,301	\$ 1,131	\$ 1,234
Total provision for credit losses on non-impaired loans	–	–	(2)	2	6
Total provision for credit losses	\$ 1,164	\$ 1,237	\$ 1,299	\$ 1,133	\$ 1,240
Provision for credit losses as a % of average net loans and acceptances	0.27%	0.31%	0.35%	0.33%	0.40%

(1) On a continuing operations basis.

(2) Other in 2014 is related to financing products, \$3 million; holding and investments, \$29 million; other services, \$18 million; and other, \$26 million.

Allowance for credit losses by portfolio and geography

Table 81

(Millions of Canadian dollars, except percentage amounts)	IFRS				Canadian GAAP
	2014	2013	2012 (1),(2)	2011 (1)	2010 (1)
Allowance at beginning of year	\$ 2,050	\$ 2,087	\$ 2,056	\$ 2,966	\$ 2,264
Allowance at beginning of year – discontinued operations	–	–	–	(854)	–
Provision for credit losses	1,164	1,237	1,299	1,133	1,240
Write-offs by portfolio					
Residential mortgages	(30)	(24)	(32)	(16)	(11)
Personal	(565)	(498)	(499)	(515)	(538)
Credit cards	(466)	(466)	(496)	(545)	(463)
Small business	(47)	(35)	(50)	(45)	(56)
Retail	\$ (1,108)	\$ (1,023)	\$ (1,077)	\$ (1,121)	\$ (1,068)
Business	\$ (221)	\$ (448)	\$ (288)	\$ (226)	\$ (478)
Sovereign	–	–	–	(9)	–
Bank	–	–	(32)	–	–
Wholesale	\$ (221)	\$ (448)	\$ (320)	\$ (235)	\$ (478)
Total write-offs by portfolio	\$ (1,329)	\$ (1,471)	\$ (1,397)	\$ (1,356)	\$ (1,546)
Recoveries by portfolio					
Residential mortgages	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1
Personal	106	96	83	79	79
Credit cards	114	112	102	97	63
Small business	9	9	8	7	7
Retail	\$ 231	\$ 219	\$ 194	\$ 184	\$ 150
Business	\$ 32	\$ 51	\$ 39	\$ 60	\$ 51
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	\$ 32	\$ 51	\$ 39	\$ 60	\$ 51
Total recoveries by portfolio	\$ 263	\$ 270	\$ 233	\$ 244	\$ 201
Net write-offs	\$ (1,066)	\$ (1,201)	\$ (1,164)	\$ (1,112)	\$ (1,345)
Adjustments (3)	(63)	(73)	(104)	(75)	(33)
Total allowance for credit losses at end of year	\$ 2,085	\$ 2,050	\$ 2,087	\$ 2,058	\$ 2,126
Allowance against impaired loans					
Canada					
Residential mortgages	\$ 31	\$ 36	\$ 41	\$ 47	\$ 47
Personal	93	97	89	88	88
Small business	19	16	12	15	18
Retail	\$ 143	\$ 149	\$ 142	\$ 150	\$ 153
Business					
Agriculture	\$ 6	\$ 6	\$ 9	\$ 13	\$ 14
Automotive	4	4	7	15	27
Consumer goods	22	15	14	17	20
Energy	–	1	1	3	10
Non-bank financial services	–	–	–	–	1
Forest products	3	4	6	3	4
Industrial products	18	15	10	12	36
Mining & metals	1	1	1	1	1
Real estate & related	48	42	45	47	36
Technology & media	17	46	107	20	12
Transportation & environment	5	6	8	5	6
Other	36	30	31	43	40
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Wholesale	\$ 160	\$ 170	\$ 239	\$ 179	\$ 207
U.S.	\$ 303	\$ 319	\$ 381	\$ 329	\$ 360
Retail	\$ 1	\$ 2	\$ 1	\$ 1	\$ –
Wholesale	16	19	38	25	85
Other International	\$ 17	\$ 21	\$ 39	\$ 26	\$ 85
Retail	\$ 172	\$ 146	\$ 96	\$ 80	\$ 83
Wholesale	140	113	120	170	193
Total allowance against impaired loans	\$ 312	\$ 259	\$ 216	\$ 250	\$ 276
Total allowance against impaired loans	\$ 632	\$ 599	\$ 636	\$ 605	\$ 721
Allowance against non-impaired loans					
Residential mortgages	\$ 78	\$ 48	\$ 48	\$ 41	\$ 26
Personal	400	405	392	412	480
Credit cards	385	385	403	415	365
Small business	45	45	60	60	60
Retail	\$ 908	\$ 883	\$ 903	\$ 928	\$ 931
Wholesale	\$ 454	\$ 477	\$ 457	\$ 434	\$ 386
Off-balance sheet and other items	\$ 91	\$ 91	\$ 91	\$ 91	\$ 88
Total allowance against non-impaired loans	\$ 1,453	\$ 1,451	\$ 1,451	\$ 1,453	\$ 1,405
Total allowance for credit losses	\$ 2,085	\$ 2,050	\$ 2,087	\$ 2,058	\$ 2,126
Key ratios					
Allowance for credit losses as a % of loans and acceptances	0.46%	0.49%	0.54%	0.57%	0.75%
Net write-offs as a % of average net loans and acceptances	0.25%	0.27%	0.31%	0.33%	0.49%

(1) On a continuing operations basis.

(2) Opening allowance for credit losses as at November 1, 2011 has been restated due to the implementation of amendments to IFRS 11.

(3) Under IFRS, other adjustments include \$87 million of unwind of discount and \$(24) million of changes in exchange rate (2013 – \$86 million and \$(13) million; 2012 – \$110 million and \$(6) million). For further details, refer to Note 5 of our 2014 Annual Consolidated Financial Statements.

(Millions of Canadian dollars)	IFRS				Canadian GAAP
	2014	2013	2012 (1)	2011 (1)	2010 (1)
Loans and acceptances					
Atlantic provinces (2)	\$ 22,130	\$ 21,263	\$ 19,953	\$ 18,481	\$ 14,558
Quebec	50,748	48,060	42,920	38,776	33,093
Ontario	159,817	152,258	141,566	141,230	103,179
Prairie provinces (3)	88,538	84,015	77,187	68,468	54,843
B.C. and territories (4)	68,988	68,118	65,204	58,774	48,908
Total loans and acceptances in Canada	\$ 390,221	\$ 373,714	\$ 346,830	\$ 325,729	\$ 254,581
Gross impaired loans					
Atlantic provinces (2)	\$ 81	\$ 83	\$ 67	\$ 66	\$ 72
Quebec	205	177	180	135	162
Ontario	391	424	502	398	598
Prairie provinces (3)	258	330	338	404	429
B.C. and territories (4)	211	241	269	305	277
Total gross impaired loans in Canada	\$ 1,146	\$ 1,255	\$ 1,356	\$ 1,308	\$ 1,538
Provision for credit losses on impaired loans					
Atlantic provinces (2)	\$ 51	\$ 50	\$ 62	\$ 54	\$ 50
Quebec	92	78	96	63	85
Ontario	588	605	704	686	659
Prairie provinces (3)	111	113	120	107	146
B.C. and territories (4)	90	99	106	108	77
Total provision for credit losses on impaired loans in Canada	\$ 932	\$ 945	\$ 1,088	\$ 1,018	\$ 1,017

(1) On a continuing operations basis.

(2) Comprises Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.

(3) Comprises Manitoba, Saskatchewan and Alberta.

(4) Comprises British Columbia, Nunavut, Northwest Territories and Yukon.

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF), established by the Financial Stability Board, issued its report Enhancing the Risk Disclosures of Banks, which included 32 recommendations aimed at achieving transparent, high-quality risk disclosures. As a result, our enhanced disclosures have been provided in our 2014 Annual Report and Supplementary Financial Information package (SFI).

The following index summarizes our disclosure by EDTF recommendation:

Type of Risk	Recommendation	Disclosure	Location of disclosure	
			Annual Report page	SFI page
General	1	Table of contents for EDTF risk disclosure	107	1
	2	Define risk terminology and measures	47-52	–
	3	Top and emerging risks	199-201	–
	4	New regulatory ratios	46-47	–
Risk governance, risk management and business model	5	Risk management organization	69,85-86	–
	6	Risk culture	47-52	–
	7	Risk in the context of our business activities	49-50	–
	8	Stress testing	93	–
Capital adequacy and risk-weighted assets (RWA)	9	Minimum Basel III capital ratios and Domestic systemically important bank surcharge	50,63	–
	10	Composition of capital and reconciliation of the accounting balance sheet to the regulatory balance sheet	86	–
	11	Flow statement of the movements in regulatory capital	–	21-24
	12	Capital strategic planning	–	25
	13	RWA by business segments	85-86	–
	14	RWA credit risk and related risk measurements	–	28
	15	Movement of risk-weighted assets by risk type	–	28
	16	Basel back-testing	52-55	26-27
Liquidity	17	Basel back-testing	50,53	40
	18	Quantitative and qualitative analysis of our liquidity reserve	70-71	–
Funding	19	Encumbered and unencumbered assets by balance sheet category, and contractual obligations for rating downgrades	72	–
	20	Maturity analysis of consolidated total assets, liabilities and off-balance sheet commitments analyzed by remaining contractual maturity at the balance sheet date	78	–
	21	Sources of funding and funding strategy	75-76	–
	22	Relationship between the market risk measures for trading and non-trading portfolios and the balance sheet	73-74	–
Market risk	23	Decomposition of market risk factors	67-68	–
	24	Market risk validation and back-testing	63-65	–
	25	Primary risk management techniques beyond reported risk measures and parameters	63	–
	26	Bank's credit risk profile	63-64	–
Credit risk	27	Quantitative summary of aggregate credit risk exposures that reconciles to the balance sheet	52-63	29-42
	28	Policies for identifying impaired loans	146-148	38
	29	Reconciliation of the opening and closing balances of impaired loans and impairment allowances during the year	100-106	–
	30	Quantification of gross notional exposure for OTC derivatives or exchange-traded derivatives	55,97	–
	31	Credit risk mitigation, including collateral held for all sources of credit risk	125	–
	32	Other risk types	62	31,35
Other	33	Publicly known risk events	53-54	44
	34	Publicly known risk events	54	39
			78-85	–
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Management's responsibility for financial reporting

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

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

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

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

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

Deloitte LLP, Independent Registered Public Accounting Firm appointed by our shareholders upon the recommendation of the Audit Committee and Board, have performed an independent audit of the consolidated financial statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

David I. McKay
President and Chief Executive Officer

Janice R. Fukakusa
Chief Administrative Officer and Chief Financial Officer

Toronto, December 2, 2014

Report of Independent Registered Public Accounting Firm

To the Shareholders of Royal Bank of Canada

We have audited the accompanying consolidated financial statements of Royal Bank of Canada and subsidiaries (the "Bank"), which comprise the consolidated balance sheets as at October 31, 2014 and October 31, 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity, and statements of cash flows for each of the years in the three-year period ended October 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the balance sheets of Royal Bank of Canada and subsidiaries as at October 31, 2014 and October 31, 2013, and their financial performance and cash flows for each of the years in the three-year period ended October 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of October 31, 2014 based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 2, 2014 expressed an unqualified opinion on the Bank's internal control over financial reporting.

Deloitte LLP
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
Toronto, Canada
December 2, 2014

Management's Report on Internal Control over Financial Reporting

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

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

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

Management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Chief Administrative Officer and Chief Financial Officer, the effectiveness of our internal control over financial reporting as of October 31, 2014, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that, as of October 31, 2014, internal control over financial reporting was effective based on the criteria established in the *Internal Control – Integrated Framework (2013)*. Also, based on the results of our evaluation, management concluded that there were no material weaknesses that have been identified in internal control over financial reporting as of October 31, 2014.

Our internal control over financial reporting as of October 31, 2014 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited our Consolidated Financial Statements for the year ended October 31, 2014, as stated in the Report of Independent Registered Public Accounting Firm, which report expressed an unqualified opinion on the effectiveness of our internal control over financial reporting.

David I. McKay
President and Chief Executive Officer

Janice R. Fukakusa
Chief Administrative Officer and Chief Financial Officer

Toronto, December 2, 2014

To the Shareholders of Royal Bank of Canada

We have audited the internal control over financial reporting of Royal Bank of Canada and subsidiaries (the “Bank”) as of October 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of October 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended October 31, 2014 of the Bank and our report dated December 2, 2014 expressed an unqualified opinion on those consolidated financial statements.

Deloitte LLP
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants Toronto, Canada
December 2, 2014

Consolidated Balance Sheets

	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars)		
Assets		
Cash and due from banks	\$ 17,421	\$ 15,550
Interest-bearing deposits with banks	8,399	9,039
Securities (Note 4)		
Trading	151,380	144,023
Available-for-sale	47,768	38,687
	199,148	182,710
Assets purchased under reverse repurchase agreements and securities borrowed	135,580	117,517
Loans (Note 5)		
Retail	334,987	320,627
Wholesale	102,236	90,182
	437,223	410,809
Allowance for loan losses (Note 5)	(1,994)	(1,959)
	435,229	408,850
Segregated fund net assets (Note 16)	675	513
Other		
Customers' liability under acceptances	11,462	9,953
Derivatives (Note 8)	87,402	74,822
Premises and equipment, net (Note 9)	2,684	2,636
Goodwill (Note 10)	8,647	8,332
Other intangibles (Note 10)	2,775	2,777
Investments in joint ventures and associates (Note 12)	295	247
Employee benefit assets (Note 17)	138	161
Other assets (Note 13)	30,695	26,638
	144,098	125,566
Total assets	\$ 940,550	\$ 859,745
Liabilities and equity		
Deposits (Note 14)		
Personal	\$ 209,217	\$ 194,943
Business and government	386,660	354,593
Bank	18,223	13,543
	614,100	563,079
Segregated fund net liabilities (Note 16)	675	513
Other		
Acceptances	11,462	9,953
Obligations related to securities sold short	50,345	47,128
Obligations related to assets sold under repurchase agreements and securities loaned	64,331	60,416
Derivatives (Note 8)	88,982	76,745
Insurance claims and policy benefit liabilities (Note 15)	8,564	8,034
Employee benefit liabilities (Note 17)	2,420	2,027
Other liabilities (Note 18)	37,309	34,947
	263,413	239,250
Subordinated debentures (Note 19)	7,859	7,443
Total liabilities	886,047	810,285
Equity attributable to shareholders (Note 21)		
Preferred shares	4,075	4,600
Common shares (shares issued – 1,442,232,886 and 1,441,055,616)	14,511	14,377
Treasury shares – preferred (shares held – (1,207) and (46,641))	–	1
– common (shares held – (891,733) and (666,366))	71	41
Retained earnings	31,615	27,438
Other components of equity	2,418	1,208
	52,690	47,665
Non-controlling interests (Note 21)	1,813	1,795
Total equity	54,503	49,460
Total liabilities and equity	\$ 940,550	\$ 859,745

The accompanying notes are an integral part of these Consolidated Financial Statements. Comparative amounts have been restated. Refer to Note 2.

David I. McKay
President and Chief Executive Officer

Victor L. Young
Director

Consolidated Statements of Income

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Millions of Canadian dollars, except per share amounts)			
Interest income			
Loans	\$ 16,979	\$ 16,354	\$ 15,940
Securities	3,993	3,779	3,838
Assets purchased under reverse repurchase agreements and securities borrowed	971	941	937
Deposits and other	76	74	54
	22,019	21,148	20,769
Interest expense			
Deposits and other	5,873	5,694	6,048
Other liabilities	1,784	1,869	1,922
Subordinated debentures	246	336	360
	7,903	7,899	8,330
Net interest income	14,116	13,249	12,439
Non-interest income			
Insurance premiums, investment and fee income (Note 15)	4,957	3,911	4,897
Trading revenue	742	867	1,305
Investment management and custodial fees	3,355	2,870	2,006
Mutual fund revenue	2,621	2,201	1,896
Securities brokerage commissions	1,379	1,337	1,182
Service charges	1,494	1,437	1,376
Underwriting and other advisory fees	1,809	1,569	1,434
Foreign exchange revenue, other than trading	827	748	586
Card service revenue	689	632	588
Credit fees	1,080	1,092	849
Net gain on available-for-sale securities (Note 4)	192	188	148
Share of profit in joint ventures and associates (Note 12)	162	159	163
Other	685	422	278
	19,992	17,433	16,708
Total revenue	34,108	30,682	29,147
Provision for credit losses (Note 5)	1,164	1,237	1,299
Insurance policyholder benefits, claims and acquisition expense (Note 15)	3,573	2,784	3,621
Non-interest expense			
Human resources (Note 17 and 22)	11,031	10,248	9,082
Equipment	1,147	1,081	913
Occupancy	1,330	1,235	1,130
Communications	779	728	748
Professional fees	763	753	666
Outsourced item processing	246	250	254
Amortization of other intangibles (Note 10)	666	566	494
Impairment of other intangibles (Note 10 and 11)	8	10	–
Impairment of investments in joint ventures and associates (Note 12)	–	20	168
Other	1,691	1,323	1,186
	17,661	16,214	14,641
Income before income taxes from continuing operations	11,710	10,447	9,586
Income taxes (Note 24)	2,706	2,105	2,028
Net income from continuing operations	9,004	8,342	7,558
Net loss from discontinued operations (Note 11)	–	–	(51)
Net income	\$ 9,004	\$ 8,342	\$ 7,507
Net income attributable to:			
Shareholders	\$ 8,910	\$ 8,244	\$ 7,410
Non-controlling interests	94	98	97
	\$ 9,004	\$ 8,342	\$ 7,507
Basic earnings per share (in dollars) (Note 25)	\$ 6.03	\$ 5.53	\$ 4.96
Basic earnings per share from continuing operations (in dollars)	6.03	5.53	4.99
Basic loss per share from discontinued operations (in dollars)	–	–	(0.03)
Diluted earnings per share (in dollars) (Note 25)	6.00	5.49	4.91
Diluted earnings per share from continuing operations (in dollars)	6.00	5.49	4.94
Diluted loss per share from discontinued operations (in dollars)	–	–	(0.03)
Dividends per common share (in dollars)	2.84	2.53	2.28

The accompanying notes are an integral part of these Consolidated Financial Statements. Comparative amounts have been restated. Refer to Note 2.

Consolidated Statements of Comprehensive Income

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Millions of Canadian dollars)			
Net income	\$ 9,004	\$ 8,342	\$ 7,507
Other comprehensive income (loss), net of taxes (Note 24)			
Items that will be reclassified subsequently to income:			
Net change in unrealized gains (losses) on available-for-sale securities			
Net unrealized gains on available-for-sale securities	143	15	193
Reclassification of net gains on available-for-sale securities to income	(58)	(87)	(33)
	85	(72)	160
Foreign currency translation adjustments			
Unrealized foreign currency translation gains	2,743	1,402	114
Net foreign currency translation losses from hedging activities	(1,585)	(912)	–
Reclassification of losses on foreign currency translation to income	44	1	170
Reclassification of losses (gains) on net investment hedging activities to income	3	(1)	(159)
	1,205	490	125
Net change in cash flow hedges			
Net (losses) gains on derivatives designated as cash flow hedges	(108)	(11)	32
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income	28	(30)	25
	(80)	(41)	57
Items that will not be reclassified subsequently to income:			
Remeasurements of employee benefit plans	(236)	319	(779)
Net fair value change due to credit risk on financial liabilities designated as at fair value through profit or loss	(59)	–	–
	(295)	319	(779)
Total other comprehensive income (loss), net of taxes	915	696	(437)
Total comprehensive income	\$ 9,919	\$ 9,038	\$ 7,070
Total comprehensive income attributable to:			
Shareholders	\$ 9,825	\$ 8,940	\$ 6,972
Non-controlling interests	94	98	98
	\$ 9,919	\$ 9,038	\$ 7,070

The accompanying notes are an integral part of these Consolidated Financial Statements. Comparative amounts have been restated. Refer to Note 2.

Consolidated Statements of Changes in Equity

	Other components of equity										Total equity		
	Preferred shares	Common shares	Treasury shares – preferred	Treasury shares – common	Retained earnings	Available-for-sale securities	Foreign currency translation	Cash flow hedges	Total other components of equity	Equity attributable to shareholders		Non-controlling interests	
Balance at November 1, 2011	\$ 4,813	\$14,010	\$ –	\$ –	\$ 8	\$20,084	\$ 259	\$ 71	\$ 160	\$ 490	\$ 39,405	\$ 1,758	\$41,163
Changes in equity													
Issues of share capital	–	313	–	–	–	–	–	–	–	–	313	–	313
Sales of treasury shares	–	–	98	5,186	–	–	–	–	–	–	5,284	–	5,284
Purchases of treasury shares	–	–	(97)	(5,164)	–	–	–	–	–	–	(5,261)	–	(5,261)
Share-based compensation awards	–	–	–	–	(9)	–	–	–	–	–	(9)	–	(9)
Dividends on common shares	–	–	–	–	(3,291)	–	–	–	–	–	(3,291)	–	(3,291)
Dividends on preferred shares and other	–	–	–	–	(258)	–	–	–	–	–	(258)	(92)	(350)
Other	–	–	–	–	5	–	–	–	–	–	5	(3)	2
Net income	–	–	–	–	7,410	–	–	–	–	–	7,410	97	7,507
Total other comprehensive income (loss), net of taxes	–	–	–	–	(779)	–	160	125	56	341	(438)	1	(437)
Balance at October 31, 2012	\$ 4,813	\$14,323	\$ 1	\$ 30	\$23,162	\$ 419	\$ 196	\$ 216	\$ 831	\$ 43,160	\$ 1,761	\$44,921	
Changes in equity													
Issues of share capital	–	121	–	–	–	–	–	–	–	–	121	–	121
Common shares purchased for cancellation	–	(67)	–	–	(341)	–	–	–	–	–	(408)	–	(408)
Preferred shares redeemed	(213)	–	–	–	(9)	–	–	–	–	–	(222)	–	(222)
Sales of treasury shares	–	–	127	4,453	–	–	–	–	–	–	4,580	–	4,580
Purchases of treasury shares	–	–	(127)	(4,442)	–	–	–	–	–	–	(4,569)	–	(4,569)
Share-based compensation awards	–	–	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Dividends on common shares	–	–	–	–	(3,651)	–	–	–	–	–	(3,651)	–	(3,651)
Dividends on preferred shares and other	–	–	–	–	(253)	–	–	–	–	–	(253)	(94)	(347)
Other	–	–	–	–	(26)	–	–	–	–	–	(26)	30	4
Net income	–	–	–	–	8,244	–	–	–	–	–	8,244	98	8,342
Total other comprehensive income (loss), net of taxes	–	–	–	–	319	–	(72)	490	(41)	377	696	–	696
Balance at October 31, 2013	\$ 4,600	\$14,377	\$ 1	\$ 41	\$27,438	\$ 347	\$ 686	\$ 175	\$ 1,208	\$ 47,665	\$ 1,795	\$49,460	
Changes in equity													
Issues of share capital	1,000	150	–	–	(14)	–	–	–	–	–	1,136	–	1,136
Common shares purchased for cancellation	–	(16)	–	–	(97)	–	–	–	–	–	(113)	–	(113)
Preferred shares redeemed	(1,525)	–	–	–	–	–	–	–	–	–	(1,525)	–	(1,525)
Sales of treasury shares	–	–	124	5,333	–	–	–	–	–	–	5,457	–	5,457
Purchases of treasury shares	–	–	(125)	(5,303)	–	–	–	–	–	–	(5,428)	–	(5,428)
Share-based compensation awards	–	–	–	–	(9)	–	–	–	–	–	(9)	–	(9)
Dividends on common shares	–	–	–	–	(4,097)	–	–	–	–	–	(4,097)	–	(4,097)
Dividends on preferred shares and other	–	–	–	–	(213)	–	–	–	–	–	(213)	(94)	(307)
Other	–	–	–	–	(8)	–	–	–	–	–	(8)	18	10
Net income	–	–	–	–	8,910	–	–	–	–	–	8,910	94	9,004
Total other comprehensive income (loss), net of taxes	–	–	–	–	(295)	–	85	1,205	(80)	1,210	915	–	915
Balance at October 31, 2014	\$ 4,075	\$14,511	\$ –	\$ 71	\$31,615	\$ 432	\$ 1,891	\$ 95	\$ 2,418	\$ 52,690	\$ 1,813	\$54,503	

The accompanying notes are an integral part of these Consolidated Financial Statements. Comparative amounts have been restated. Refer to Note 2.

Consolidated Statements of Cash Flows

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Millions of Canadian dollars)			
Cash flows from operating activities			
Net income	\$ 9,004	\$ 8,342	\$ 7,507
Adjustments for non-cash items and others			
Provision for credit losses	1,164	1,237	1,416
Depreciation	499	445	412
Deferred income taxes	(207)	(72)	(204)
Amortization and Impairment of other intangibles	674	576	514
Impairment of investments in joint ventures and associates	–	20	168
Loss (Gain) on sale of premises and equipment	14	(24)	25
Gain on available-for-sale securities	(228)	(217)	(222)
Loss (Gain) on disposition of business	95	(17)	–
Impairment of available-for-sale securities	25	26	55
Share of profit in joint ventures and associates	(162)	(159)	(162)
Net gain on sales of joint ventures and associates	(62)	–	–
Adjustments for net changes in operating assets and liabilities			
Insurance claims and policy benefit liabilities	530	113	802
Net change in accrued interest receivable and payable	187	(467)	(177)
Current income taxes	(206)	354	(815)
Derivative assets	(12,580)	16,475	8,180
Derivative liabilities	12,237	(20,017)	(3,679)
Trading securities	(7,253)	(23,038)	6,850
Loans, net of securitizations	(27,096)	(20,175)	(29,320)
Assets purchased under reverse repurchase agreements and securities borrowed	(18,063)	(5,260)	(25,179)
Deposits	52,339	41,857	18,103
Obligations related to assets sold under repurchase agreements and securities loaned	3,915	(3,616)	16,162
Obligations related to securities sold short	3,233	6,372	(3,484)
Brokers and dealers receivable and payable	(638)	536	537
Other	(2,247)	3,794	864
Net cash from (used in) operating activities	15,174	7,085	(1,647)
Cash flows from investing activities			
Change in interest-bearing deposits with banks	640	1,207	1,585
Proceeds from sale of available-for-sale securities	8,795	6,476	9,779
Proceeds from maturity of available-for-sale securities	38,950	37,099	45,991
Purchases of available-for-sale securities	(54,208)	(41,057)	(54,782)
Proceeds from maturity of held-to-maturity securities	285	401	190
Purchases of held-to-maturity securities	(1,625)	(284)	(242)
Net acquisitions of premises and equipment and other intangibles	(1,227)	(932)	(1,320)
Proceeds from dispositions	173	17	2,677
Cash used in acquisitions	–	(2,537)	(628)
Net cash (used in) from investing activities	(8,217)	390	3,250
Cash flows from financing activities			
Redemption of trust capital securities	(900)	–	–
Issue of subordinated debentures	2,000	2,046	–
Repayment of subordinated debentures	(1,600)	(2,000)	(1,006)
Issue of common shares	150	121	126
Common shares purchased for cancellation	(113)	(408)	–
Issue of preferred shares	1,000	–	–
Redemption of preferred shares	(1,525)	(222)	–
Sales of treasury shares	5,457	4,580	5,284
Purchase of treasury shares	(5,428)	(4,569)	(5,261)
Dividends paid	(4,211)	(3,810)	(3,272)
Issuance costs	(14)	–	–
Dividends/distributions paid to non-controlling interests	(94)	(94)	(92)
Change in short-term borrowings of subsidiaries	(6)	(93)	21
Net cash used in financing activities	(5,284)	(4,449)	(4,200)
Effect of exchange rate changes on cash and due from banks	198	96	1
Net change in cash and due from banks	1,871	3,122	(2,596)
Cash resources at beginning of period ^{(1), (2)}	15,550	12,428	15,024
Cash and due from banks at end of period ⁽¹⁾	\$ 17,421	\$ 15,550	\$ 12,428
Cash flows from operating activities include:			
Amount of interest paid	\$ 7,186	\$ 7,223	\$ 7,839
Amount of interest received	20,552	19,348	19,691
Amount of dividend received	1,702	1,478	1,316
Amount of income taxes paid	2,315	1,479	2,884

(1) We are required to maintain balances with central banks and other regulatory authorities. The total balances were \$2.0 billion as at October 31, 2014 (October 31, 2013 – \$2.6 billion; October 31, 2012 – \$2.1 billion; November 1, 2011 – \$2.0 billion).

(2) For the year ended October 31, 2012, cash resources at the beginning of the period include cash and due from banks of \$12,308 million and cash and due from banks included in assets of discontinued operations of \$2,716 million.

The accompanying notes are an integral part of these Consolidated Financial Statements. Comparative amounts have been restated. Refer to Note 2.

Note 1 General information

Royal Bank of Canada and its subsidiaries (the Bank) provide diversified financial services including personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis. Refer to Note 30 for further details on our business segments.

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

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

On December 2, 2014, the Board of Directors authorized the Consolidated Financial Statements for issue.

Note 2 Summary of significant accounting policies, estimates and judgments

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

General

Use of estimates and assumptions

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

Significant judgments

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

Consolidation of structured entities	Note 2 – page 117 Note 7 – page 149	Securities impairment	Note 2 – page 121 Note 4 – page 143
Fair value of financial instruments	Note 2 – page 122 Note 3 – page 131	Application of the effective interest method	Note 2 – page 123
Allowance for credit losses	Note 2 – page 125 Note 5 – page 146	Derecognition of financial assets	Note 2 – page 125 Note 6 – page 149
Employee benefits	Note 2 – page 127 Note 17 – page 168	Income taxes	Note 2 – page 127 Note 24 – page 180
Goodwill and other intangibles	Note 2 – page 128 Note 10 – page 160 Note 11 – page 162	Provisions	Note 2 – page 129 Note 26 – page 182 Note 27 – page 185

Basis of consolidation

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

Consolidation

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

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

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

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

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

Investments in associates and joint ventures

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

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are presented separately from other assets on our Consolidated Balance Sheets.

A disposal group is classified as a discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of our operations, and (ii) it represents either a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Disposal groups classified as discontinued operations are presented separately from our continuing operations in our Consolidated Statements of Income.

During the third quarter in 2011, we announced the sale of substantially all of our U.S. regional retail banking operations and completed this sale in the second quarter of 2012. Our U.S. regional retail banking operations are reflected as discontinued operations on our Consolidated Financial Statements for all periods presented.

Changes in accounting policies

During the first quarter, we adopted the following new accounting standards (in order of significance).

IAS 19 Employee Benefits (IAS 19)

The amendments to IAS 19 change the accounting for pension and other post-employment benefits, specifically with respect to actuarial gains and losses, past service costs, interest expense and return on plan assets. The amended standard eliminates the deferral and amortization of actuarial gains and losses in net income, instead requiring the immediate recognition of actuarial gains and losses in OCI. Past service costs are immediately recognized in the period in which a plan amendment occurs. Net interest, calculated by applying the discount rate to the Net defined benefit liability or asset, replaces the Interest cost and Expected return on plan assets components of Defined benefit pension expense. The amendments also introduce a number of interim and annual disclosure requirements for defined benefit plans.

We retrospectively adopted the amendments on November 1, 2013. Under the amended standard, we recognize the present value of our defined benefit obligation under each of our defined benefit plans, less the fair value of the plan's assets, as a liability reported in Employee benefit liabilities on our Consolidated Balance Sheets. For plans where there is a net defined benefit asset, the amount is reported as an asset in Employee benefit assets. New annual disclosures have been provided in Note 17.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 replaces the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and SIC-12 *Consolidation – Special Purpose Entities* (SIC-12) and provides a single consolidation model applicable to all types of entities. IFRS 10 is based on the existing principle that an entity should consolidate all other entities that it controls.

Under IAS 27 and SIC-12, control was based on having a majority of the voting interests or, for special purpose entities, an overall assessment of the purpose and design of the entity, our decision making rights, and our exposure to the majority of the risks and rewards of ownership. Under IFRS 10, control is based on three conditions, which must all be satisfied: (i) decision making power over the relevant activities, (ii) exposure to variable returns, and (iii) a link between decision making power and returns. IFRS 10 introduces a substantial amount of application guidance that expands on new and existing principles related to the determination of control. It places a greater emphasis on decision making power by making it a required condition for control, removes the bright lines for assessing exposure to risks and rewards, and introduces new considerations related to our role as a principal or an agent in entities over which we have decision making power. The determination of control is based on the current facts and circumstances and is to be continuously assessed.

We retrospectively adopted IFRS 10 on November 1, 2013. On adoption, RBC Capital Trust II was deconsolidated as our involvement does not expose us to variable returns. See Note 20 for further details on our innovative capital instruments.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. IFRS 11 requires a joint operator to recognize and measure the assets and liabilities in relation to its interest in the arrangement, and a joint venturer to apply the equity method of accounting. We retrospectively adopted IFRS 11 on November 1, 2013. The adoption resulted in a change to our method of accounting for joint ventures from proportionate consolidation to the equity method.

IFRS 12 Disclosure of Interest in Other Entities (IFRS 12)

IFRS 12 provides enhanced guidance on the annual disclosure requirements of a reporting entity's interests in other entities. The standard requires an entity to disclose information that helps users to evaluate (i) the nature of, and risks associated with, a reporting entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities (off-balance sheet structures); and (ii) the effect of those interests on the entity's financial position, financial performance and cash flows. We adopted IFRS 12 on November 1, 2013. Our annual disclosures in Notes 7 and 12 have been updated to reflect the requirements of IFRS 12.

IAS 27 Separate Financial Statements (IAS 27) and IAS 28 Investments in Associates and Joint Ventures (IAS 28)

As a consequence of the new IFRS standards IFRS 10, IFRS 11 and IFRS 12, the IASB issued amended and retitled IAS 27 and IAS 28. We retrospectively adopted these new requirements on November 1, 2013. The adoption did not impact the Consolidated Financial Statements.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 provides a revised definition of fair value and sets out a framework for measuring fair value in a single standard. IFRS 13 also requires more comprehensive disclosure requirements on fair value measurement. The measurement and disclosure requirements of IFRS 13 apply when another standard requires or permits the item to be measured at fair value with limited exceptions. We prospectively adopted IFRS 13 on November 1, 2013. The adoption did not have a material impact on the Consolidated Financial Statements. New annual disclosures have been provided in Notes 3, 10 and 17.

IFRS 7 Financial Instruments – Disclosure (IFRS 7)

The amendments to IFRS 7 require expanded disclosures to enable users to assess the effect of offsetting arrangements on an entity's financial position. The amendments require entities to disclose both gross and net amounts associated with master netting agreements and similar arrangements, including the effects of financial collateral, whether or not they are presented net on the balance sheet. We adopted the amendments to IFRS 7 on November 1, 2013. New annual disclosures have been provided in Note 33.

The tables below present the impact of the above standards adopted during the first quarter on our Consolidated Balance Sheets as at October 31, 2013, October 31, 2012 and November 1, 2011 and Consolidated Statements of Income for the years ended October 31, 2013 and 2012.

	As at and for the year ended October 31, 2013					
	Published	Adjustments			Total impact	Restated
		IAS 19	IFRS 10	IFRS 11		
<i>(Millions of Canadian dollars, except per share amounts)</i>						
Consolidated Balance Sheet						
Cash and due from banks	\$ 15,870	\$ –	\$ –	\$ (320)	\$ (320)	\$ 15,550
Interest-bearing deposits with banks	9,061	–	–	(22)	(22)	9,039
Securities – Trading and Available-for-sale	182,718	–	1	(9)	(8)	182,710
Loans – Wholesale ⁽¹⁾	89,998	–	3	181	184	90,182
Other – Investment in joint ventures and associates	112	–	–	135	135	247
Other – Employee benefit assets	1,084	(923)	–	–	(923)	161
Other – Other lines impacted by accounting changes ⁽²⁾	40,503	292	–	(412)	(120)	40,383
Lines not impacted by accounting changes	521,473	–	–	–	–	521,473
Total assets	860,819	(631)	4	(447)	(1,074)	859,745
Deposits – Business and government ⁽¹⁾	353,723	–	903	(33)	870	354,593
Other – Employee benefit liabilities	1,759	268	–	–	268	2,027
Other – Other liabilities ⁽¹⁾	35,384	(24)	1	(414)	(437)	34,947
Trust capital securities	900	–	(900)	–	(900)	–
Retained earnings	28,314	(876)	–	–	(876)	27,438
Other components of equity	1,207	1	–	–	1	1,208
Lines not impacted by accounting changes	439,532	–	–	–	–	439,532
Total liabilities and equity	\$ 860,819	\$ (631)	\$ 4	\$ (447)	\$ (1,074)	\$ 859,745
Consolidated Statement of Income						
Net income	\$ 8,429	\$ (87)	\$ –	\$ –	\$ (87)	\$ 8,342
Basic earnings per share (in dollars)	5.60	(0.07)	–	–	(0.07)	5.53
Diluted earnings per share (in dollars)	5.54	(0.05)	–	–	(0.05)	5.49

(Millions of Canadian dollars, except per share amounts)	As at and for the year ended October 31, 2012					
	Published	Adjustments			Total impact	Restated
		IAS 19	IFRS 10	IFRS 11		
Consolidated Balance Sheet						
Cash and due from banks	\$ 12,617	\$ –	\$ –	\$ (189)	\$ (189)	\$ 12,428
Interest-bearing deposits with banks	10,255	–	–	(9)	(9)	10,246
Securities – Trading and Available-for-sale	161,611	–	1	(10)	(9)	161,602
Loans – Wholesale ⁽¹⁾	79,953	–	3	(7)	(4)	79,949
Other – Investment in joint ventures and associates	125	–	–	452	452	577
Other – Employee benefit assets	1,049	(920)	–	–	(920)	129
Other – Other lines impacted by accounting changes ⁽²⁾	47,881	367	–	(834)	(467)	47,414
Lines not impacted by accounting changes	511,609	–	–	–	–	511,609
Total assets	825,100	(553)	4	(597)	(1,146)	823,954
Deposits – Business and government ⁽¹⁾	315,457	–	903	(21)	882	316,339
Other – Employee benefit liabilities	1,729	589	–	–	589	2,318
Other – Other liabilities ⁽¹⁾	38,228	(35)	1	(576)	(610)	37,618
Trust capital securities	900	–	(900)	–	(900)	–
Retained earnings	24,270	(1,108)	–	–	(1,108)	23,162
Other components of equity	830	1	–	–	1	831
Lines not impacted by accounting changes	443,686	–	–	–	–	443,686
Total liabilities and equity	\$ 825,100	\$ (553)	\$ 4	\$ (597)	\$ (1,146)	\$ 823,954
Consolidated Statement of Income						
Net income	\$ 7,539	\$ (32)	\$ –	\$ –	\$ (32)	\$ 7,507
Basic earnings per share (in dollars)	4.98	(0.02)	–	–	(0.02)	4.96
Diluted earnings per share (in dollars)	4.93	(0.02)	–	–	(0.02)	4.91

(Millions of Canadian dollars, except per share amounts)	As at November 1, 2011					
	Published	Adjustments			Total impact	Restated
		IAS 19	IFRS 10	IFRS 11		
Consolidated Balance Sheet						
Cash and due from banks	\$ 12,428	\$ –	\$ –	\$ (120)	\$ (120)	\$ 12,308
Interest-bearing deposits with banks	6,460	–	–	(3,133)	(3,133)	3,327
Securities – Trading and Available-for-sale	167,022	–	7	(4,577)	(4,570)	162,452
Loans – Wholesale ⁽¹⁾	64,752	–	3	(849)	(846)	63,906
Other – Investment in joint ventures and associates	142	–	–	1,652	1,652	1,794
Other – Employee benefit assets	311	(144)	–	(12)	(156)	155
Other – Other lines impacted by accounting changes ⁽²⁾	40,182	97	–	(3,872)	(3,775)	36,407
Lines not impacted by accounting changes	502,536	–	–	–	–	502,536
Total assets	793,833	(47)	10	(10,911)	(10,948)	782,885
Deposits – Business and government ⁽¹⁾	299,956	–	903	(15,424)	(14,521)	285,435
Other – Employee benefit liabilities	1,639	263	–	(8)	255	1,894
Other – Other liabilities ⁽¹⁾	36,796	(13)	1	4,521	4,509	41,305
Trust capital securities	894	–	(894)	–	(894)	–
Retained earnings	20,381	(297)	–	–	(297)	20,084
Other components of equity	490	–	–	–	–	490
Lines not impacted by accounting changes	433,677	–	–	–	–	433,677
Total liabilities and equity	\$ 793,833	\$ (47)	\$ 10	\$ (10,911)	\$ (10,948)	\$ 782,885

⁽¹⁾ Amounts have been restated from those originally published to reflect classification changes made in the current period.

⁽²⁾ Includes Premises and equipment, Goodwill, Other intangibles and Other assets.

During the second quarter, we adopted the following new accounting standard.

Own credit provisions of IFRS 9 *Financial Instruments* (IFRS 9)

The own credit provisions of IFRS 9 change the accounting for financial liabilities designated as at fair value through profit or loss (FVTPL). Previously under International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* (IAS 39), all fair value changes in financial liabilities designated as at FVTPL were recognized in net income. Under IFRS 9, the changes in the fair value of these liabilities attributable to our own credit are recognized in OCI rather than income. Amounts recognized in OCI will not be reclassified subsequently to net income.

We prospectively adopted the own credit provisions of IFRS 9 with an initial application date of November 1, 2013. Fair value changes in our financial liabilities designated as at FVTPL attributable to changes in our own credit risk are now recorded in OCI. The remaining fair value changes continue to be recorded in Trading revenue or Non-interest income - Other. We did not restate our quarterly or annual results for periods prior to February 1, 2014 as the amounts were not significant. Amounts recognized in the Statement of Income in the first quarter were recorded in OCI in the second quarter.

The table below presents the impact of adopting the above standard on our Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the year ended October 31, 2014. Results as reported under the own credit provisions of IFRS 9 are compared to the pro-forma results had we continued to apply IAS 39. The adoption did not impact our Consolidated Balance Sheet.

	For the year ended October 31, 2014		
	Pro-forma (IAS 39)	Impact	As reported (IFRS 9)
(Millions of Canadian dollars, except per share amounts)			
Consolidated Statement of Income			
Non-interest income – Trading revenue	\$ 672	\$ 70	\$ 742
Non-interest income – Other	674	11	685
Non-interest expense – Human resources (1)	11,008	23	11,031
Net income	8,962	42	9,004
Basic earnings per share (in dollars)	6.00	0.03	6.03
Diluted earnings per share (in dollars)	5.97	0.03	6.00
Consolidated Statement of Comprehensive Income			
Total other comprehensive income, net of taxes	\$ 974	\$ (59)	\$ 915

(1) Adjustments related to variable compensation arrangements.

Financial instruments – Recognition and measurement Securities

Securities are classified at inception, based on management's intention, as at FVTPL, available-for-sale (AFS) or held-to-maturity. Certain debt securities with fixed or determinable payments and which are not quoted in an active market may be classified as loans and receivables.

Trading securities include securities purchased for sale in the near term which are classified as at FVTPL by nature and securities designated as at FVTPL under the fair value option. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are recorded as Trading revenue in Non-interest income. Dividends and interest income accruing on Trading securities are recorded in Interest income. Interest and dividends accrued on interest-bearing and equity securities sold short are recorded in Interest expense.

AFS securities include: (i) securities which may be sold to meet liquidity needs, in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in foreign currency risk, changes in funding sources or terms, and (ii) loan substitute securities which are client financings that have been structured as after-tax investments rather than conventional loans in order to provide the clients with a borrowing rate advantage. AFS securities are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in Other components of equity. Changes in foreign exchange rates for AFS equity securities are recognized in Other components of equity, while changes in foreign exchange rates for AFS debt securities are recognized in Foreign exchange revenue, other than trading in Non-interest income. When the security is sold, the cumulative gain or loss recorded in Other components of equity is included as Net gain (loss) on AFS securities in Non-interest income. Purchase premiums or discounts on AFS debt securities are amortized over the life of the security using the effective interest method and are recognized in Net interest income.

At each reporting date, and more frequently when conditions warrant, we evaluate our AFS securities to determine whether there is any objective evidence of impairment. Such evidence includes: for debt instruments, when an adverse effect on future cash flows from the asset or group of assets can be reliably estimated; for equity securities, when there is a significant or prolonged decline in the fair value of the investment below its cost.

When assessing impairment for debt instruments we primarily consider counterparty ratings and security-specific factors, including subordination, external ratings, and the value of any collateral held, for which there may not be a readily accessible market. Significant judgment is required in assessing impairment as management is required to consider all available evidence in determining whether objective evidence of impairment exists and whether the principal and interest on the AFS debt security can be fully recovered. For complex debt instruments we use cash flow projection models which incorporate actual and projected cash flows for each security based on security specific factors using a number of assumptions and inputs that involve management judgment, such as default, prepayment and recovery rates. Due to the subjective nature of choosing these inputs and assumptions, the actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause a different conclusion as to the recognition of impairment or measurement of impairment loss.

In assessing whether there is any objective evidence that suggests that equity securities are impaired, we consider factors which include the length of time and extent the fair value has been below cost, along with management's assessment of the financial condition, business and other risks of the issuer. Management weighs all these factors to determine the impairment but to the extent that management judgment may differ from the actual experience of the timing and amount of the recovery of the fair value, the estimate for impairment could change from period to period based upon future events that may or may not occur, the conclusion for the impairment of the equity securities may differ.

If an AFS security is impaired, the cumulative unrealized loss previously recognized in Other components of equity is removed from equity and recognized in Net gain (loss) on AFS securities under Non-interest income. This amount is determined as the difference between the cost/ amortized cost and current fair value of the security less any impairment loss previously recognized. Subsequent to impairment, further declines in fair value are recorded in Non-interest income, while increases in fair value are recognized in Other components of equity until sold. For AFS debt securities, reversal of previously recognized impairment losses is recognized in our Consolidated Statements of Income if the recovery is objectively related to a specific event occurring after recognition of the impairment loss.

Held-to-maturity securities are debt securities where we have the intention and the ability to hold the investment until its maturity date. These securities are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest method, less any impairment losses which we assess using the same impairment model as for loans. Interest income and amortization of premiums and discounts on debt securities are recorded in Net interest income. For held-to-maturity securities, reversal of previously recognized impairment losses is recognized in our Consolidated Statements of Income if the recovery is objectively related to a specific event occurring after the recognition of the impairment loss. Reversals of impairment losses on held-to-maturity securities are recorded to a maximum of what the amortized cost of the investment would have been before the original impairment charge. We hold an insignificant amount of held-to-maturity securities. All held-to-maturity securities have been included with AFS securities on our Consolidated Balance Sheets.

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

Fair value option

A financial instrument can be designated as at FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term. An instrument that is designated as at FVTPL by way of this fair value option must have a reliably measurable fair value and satisfy one of the following criteria: (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing gains and losses on them on a different basis (an accounting mismatch); (ii) it belongs to a group of financial assets or financial liabilities or both that are managed, evaluated, and reported to key management personnel on a fair value basis in accordance with our risk management strategy, and we can demonstrate that significant financial risks are eliminated or significantly reduced; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as at FVTPL are recorded at fair value and any unrealized gain or loss arising due to changes in fair value is included in Trading revenue or Non-interest income – Other. Financial liabilities designated as at FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. The remaining fair value changes are recorded in Trading revenue or Non-interest income – Other. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognized in net income.

To determine the fair value adjustments on our debt designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period with the change in present value recorded in OCI, Trading revenue or Non-interest income – Other as appropriate.

Determination of fair value

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

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

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

We record valuation adjustments to appropriately reflect counterparty credit quality of our derivative portfolio, differences between the overnight index swap (OIS) curve and London Interbank Offered Rates (LIBOR) for collateralized derivatives, funding valuation adjustments (FVA) for uncollateralized and under-collateralized over-the-counter (OTC) derivatives, unrealized gains or losses at inception of the transaction, bid-offer spreads and unobservable parameters. These adjustments may be subjective as they require significant judgment in the input selection, such as probability of default and recovery rate, and are intended to arrive at fair value that is determined based on assumptions that market participants would use in pricing the financial instrument. The realized price for a transaction may be different from its recorded value that is previously estimated using management judgment, and may therefore impact unrealized gains and losses recognized in Non-interest income – Trading revenue or Other.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amounts of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated daily and changes are recorded in Non-interest income – Trading revenue.

In the determination of fair value of collateralized OTC derivatives using the OIS curve, our valuation approach accounts for the difference between certain OIS rates and LIBOR for derivatives valuation as valuation adjustments.

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

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

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

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

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

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

Interest

Interest is recognized in Interest income and Interest expense in the Consolidated Statements of Income for all interest bearing financial instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Significant judgment is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalized on initial recognition. For financial assets and financial liabilities measured at amortized cost, capitalized transaction costs are amortized through Net income over the estimated life of the instrument using the effective interest method. For AFS financial assets measured at fair value that do not have fixed or determinable payments and no fixed maturity, capitalized transaction costs are recognized in Net income when the asset is derecognized or becomes impaired.

Offsetting financial assets and financial liabilities

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

Assets purchased under reverse repurchase agreements and sold under repurchase agreements

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

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

Derivatives

Derivatives are primarily used in sales and trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate swaps, interest rate futures, forward rate agreements, interest rate options, foreign exchange forward contracts, cross currency swaps, foreign currency futures, foreign currency options, equity swaps and credit derivatives. All derivative instruments are recorded on our Consolidated Balance Sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts and are not closely related to the host contracts.

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments with the effect that some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is not carried at fair value with changes in fair value reported in our Consolidated Statements of Income, the embedded derivative is generally required to be separated from the host contract and accounted for separately as at FVTPL if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. All embedded derivatives are presented on a combined basis with the host contracts although they are separated for measurement purposes when conditions requiring separation are met.

When derivatives are used in sales and trading activities, the realized and unrealized gains and losses on these derivatives are recognized in Trading revenue in Non-interest income. Derivatives with positive fair values are reported as Derivative assets and derivatives with negative fair values are reported as Derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Derivative assets and Derivative liabilities. Premiums paid and premiums received are shown in Derivative assets and Derivative liabilities, respectively.

When derivatives are used to manage our own exposures, we determine for each derivative whether hedge accounting can be applied, as discussed in the Hedge accounting section below.

Hedge accounting

We use derivatives and non-derivatives in our hedging strategies to manage our exposure to interest rate, currency, credit and other market risks. Where hedge accounting can be applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and strategy for undertaking the hedge transaction. The documentation identifies the specific asset, liability or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. We assess, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. A hedge is regarded as highly effective only if the following criteria are met: (i) at inception of the hedge and throughout its life, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, and (ii) actual results of the hedge are within a pre-determined range. In the case of hedging a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that could ultimately affect the reported net profit or loss. Hedge accounting is discontinued when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, upon the sale or early termination of the hedged item, or when the forecast transaction is no longer deemed highly probable. Refer to Note 8 for the fair value of derivatives and non-derivative instruments categorized by their hedging relationships, as well as derivatives that are not designated in hedging relationships.

Fair value hedges

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

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

Cash flow hedges

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

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

Net investment hedges

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

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

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as AFS. Loans are initially recognized at fair value. When loans are issued at a market rate, fair value is represented by the cash advanced to the borrowers. Loans are subsequently measured at amortized cost using the effective interest method less impairment, unless we intend to sell them in the near future upon origination or they have been designated as at FVTPL, in which case they are carried at fair value.

We assess at each balance sheet date whether there is objective evidence that the loans are impaired. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. Whenever a payment is 90 days past due, loans other than credit card balances and loans guaranteed or insured by a Canadian government (Federal or Provincial) or a Canadian government agency (collectively, Canadian government) are classified as impaired unless they are fully secured and collection efforts are reasonably expected to result in repayment of debt within 180 days of the loans becoming past due. Loans guaranteed by a Canadian government are classified as impaired when the loan is contractually 365 days in arrears. Credit card balances are written off when a payment is 180 days in arrears.

Assets acquired to satisfy loan commitments are recorded at their fair value less costs to sell. Fair value is determined based on either current market value where available or discounted cash flows. Any excess of the carrying value of the loan over the fair value of the assets acquired is recognized by a charge to Provision for credit losses.

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

Allowance for credit losses

An allowance for credit losses is established if there is objective evidence that we will be unable to collect all amounts due on our loans portfolio according to the original contractual terms or the equivalent value. This portfolio includes on-balance sheet exposures, such as loans and acceptances, and off-balance sheet items such as letters of credit, guarantees and unfunded commitments.

The allowance for credit losses is increased by the impairment losses recognized and decreased by the amount of write-offs, net of recoveries. The allowance for credit losses for on-balance sheet items is included as a reduction to assets, and the allowance for credit losses relating to off-balance sheet items is included in Provisions under Other Liabilities.

We assess whether objective evidence of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

Allowance for credit losses represent management's best estimates of losses incurred in our loan portfolio at the balance sheet date. Management's judgment is required in making assumptions and estimations when calculating allowances on both individually and collectively assessed loans. The underlying assumptions and estimates used for both individually and collectively assessed loans can change from period to period and may significantly affect our results of operations.

Individually assessed loans

Loans which are individually significant are assessed individually for objective indicators of impairment. A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value.

Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell. Individually-assessed impairment losses reduce the carrying amount of the loan through the use of an allowance account and the amount of the loss is recognized in Provision for credit losses in our Consolidated Statements of Income. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Significant judgment is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining the impairment loss. When assessing objective evidence of impairment we primarily consider specific factors such as the financial condition of the borrower, borrower's default or delinquency in interest or principal payments, local economic conditions and other observable data. In determining the estimated recoverable amount we consider discounted expected future cash flows at the effective interest rate using a number of assumptions and inputs. Management judgment is involved when choosing these inputs and assumptions used such as the expected amount of the loan that will not be recovered and the cost of time delays in collecting principal and/or interest, and when estimating the value of any collateral held for which there may not be a readily accessible market. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the Allowance for credit losses

Collectively assessed loans

Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.

The collective impairment allowance is determined by reviewing factors including: (i) historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics, and (ii) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the balance sheet date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Future cash flows for a group of loans are collectively evaluated for impairment on the basis of the contractual cash flows of the loans in the group and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Collectively-assessed impairment losses reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognized in Provision for credit losses. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

The methodology and assumptions used to calculate collective impairment allowances are subject to uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio. Significant judgment is required in assessing historical loss experience, the loss identification period and its relationship to current portfolios including delinquency, and loan balances; and current business, economic and credit conditions including industry specific performance, unemployment and country risks. Changes in these assumptions would have a direct impact on the Provision for credit losses and may result in changes in the related Allowance for credit losses.

Write-off of loans

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

Derecognition of financial assets

Our various securitization activities generally consist of the transfer of financial assets such as loans or packaged mortgage-backed securities (MBS) to independent structured entities or trusts that issue securities to investors.

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

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

Derecognition of financial liabilities

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

Guarantees

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

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

Insurance and segregated funds

Premiums from long-duration contracts, primarily life insurance, are recognized when due in Non-interest income – Insurance premiums, investment and fee income. Premiums from short-duration contracts, primarily property and casualty, and fees for administrative services are recognized in Insurance premiums, investment and fee income over the related contract period. Unearned premiums of the short-duration contracts, representing the unexpired portion of premiums, are reported in Other liabilities. Investments made by our insurance operations are classified as AFS or loans and receivables, except for investments supporting the policy benefit liabilities on life and health insurance contracts and a portion of property and casualty contracts. These are designated as at FVTPL with changes in fair value reported in Insurance premiums, investment and fee income.

Insurance claims and policy benefit liabilities represent current claims and estimates for future insurance policy benefits. Liabilities for life insurance contracts are determined using the Canadian Asset Liability Method (CALM), which incorporates assumptions for mortality, morbidity, policy lapses and surrenders, investment yields, policy dividends, operating and policy maintenance expenses, and provisions for adverse deviation. These assumptions are reviewed at least annually and updated in response to actual experience and market conditions. Liabilities for property and casualty insurance represent estimated provisions for reported and unreported claims. Liabilities for life and property and casualty insurance are included in Insurance claims and policy benefit liabilities. Changes in Insurance claims and policy benefit liabilities are included in the Insurance policyholder benefits, claims and acquisition expense in our Consolidated Statements of Income in the period in which the estimates change.

Premiums ceded for reinsurance and reinsurance recoveries on policyholder benefits and claims incurred are reported in income and expense as appropriate. Reinsurance recoverables, which relate to paid benefits and unpaid claims, are included in Other assets.

Acquisition costs for new insurance business consist of commissions, premium taxes, certain underwriting costs and other costs that vary with the acquisition of new business. Deferred acquisition costs for life insurance products are implicitly recognized in Insurance claims and policy benefit liabilities by CALM. For property and casualty insurance, these costs are classified as Other assets and amortized over the policy term.

Segregated funds are lines of business in which we issue an insurance contract where the benefit amount is directly linked to the market value of the investments held in the underlying fund. The contractual arrangement is such that the underlying segregated fund assets are registered in our name but the segregated fund policyholders bear the risks and rewards of the funds' investment performance. Liabilities for these contracts are calculated based on contractual obligations using actuarial assumptions and are at least equivalent to the surrender or transfer value calculated by reference to the value of the relevant underlying funds or indices. Segregated funds' assets and liabilities are separately presented on our Consolidated Balance Sheets. As the segregated fund policyholders bear the risks and rewards of the funds' performance, investment income earned by the segregated funds and expenses incurred by the segregated funds are offset and are not separately presented in our Consolidated Statements of Income. Fee income we earn from segregated funds includes management fees, mortality, policy administration and surrender charges, and these fees are recorded in Non-interest income – Insurance premiums, investment and fee income. We provide minimum death benefit and maturity value guarantees on segregated funds. The liability associated with these minimum guarantees is recorded in Insurance claims and policy benefit liabilities.

Liability adequacy tests are performed for all insurance contract portfolios at each balance sheet date to ensure the adequacy of insurance contract liabilities. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. When the test results indicate that there is a deficiency in liabilities, the deficiency is charged immediately to our Consolidated Statements of Income by writing down the deferred acquisition costs in Other assets and/or increasing Insurance claims and policy benefit liabilities.

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in Non-interest expense – Human resources, consists of the cost of employee pension benefits for the current year's service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in OCI in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

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

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

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

Share-based compensation

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

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

For cash-settled awards, our accrued obligations are adjusted to their fair value at each balance sheet date. For share-settled awards, our accrued obligations are based on the fair value of our common shares at the date of grant. Changes in our obligations, net of related hedges, are recorded as Non-interest expense – Human resources in our Consolidated Statements of Income with a corresponding increase in Other liabilities for cash-settled awards and in Retained earnings for share-settled awards.

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

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

Income taxes

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

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

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

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

The determination of our deferred tax asset or liability also requires significant management judgment as the recognition is dependant on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled. Any changes in our projection will result in changes in deferred tax assets or liabilities on our Consolidated Balance Sheets, and also deferred tax expense in our Consolidated Statements of Income.

Business combinations, goodwill and other intangibles

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

Goodwill

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

Significant judgment is involved in estimating the model inputs used to determine the recoverable amount of our CGU, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on financial plans agreed by management which are estimated based on forecast results, business initiatives, planned capital investments and returns to shareholders. Discount rates are based on the bank-wide cost of capital, adjusted for CGU-specific risks and currency exposure as reflected by differences in expected inflation. Bank-wide cost of capital is based on the Capital Asset Pricing Model. CGU-specific risks include country risk, business/operational risk, geographic risk (including political risk, devaluation risk, and government regulation), currency risk, and price risk (including product pricing risk and inflation). Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Changes in these assumptions may impact the amount of impairment loss recognized in Non-interest expense.

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

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

Other intangibles

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

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

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

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

Other

Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars at historical rates. Non-monetary financial assets classified as AFS securities, such as equity instruments, that are measured at fair value are translated into Canadian dollars at rates prevailing at the balance sheet date, and the resulting foreign exchange gains and losses are recorded in Other components of equity until the asset is sold or becomes impaired.

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

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

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 25 to 50 years for buildings, 3 to 10 years for computer equipment, and 7 to 10 years for furniture, fixtures and other equipment. The amortization period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years. Land is not depreciated. Gains and losses on disposal are recorded in Non-interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Provisions

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

We are required to estimate the results of ongoing legal proceedings, expenses to be incurred to dispose of capital assets, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires us to use a significant amount of judgment in projecting the timing and amount of future cash flows. We record our provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from our expectations, we may incur expenses in excess of the provisions recognized.

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

Commissions and fees

Portfolio management and other management advisory and service fees are recognized based on the applicable service contracts. Fees related to provision of services including asset management, wealth management, financial planning and custody services that cover a specified service period, are recognized over the period in which the service is provided. Fees such as underwriting fees and brokerage fees that are related to the provision of specific transaction type services are recognized when the service has been completed.

Dividend income

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed upon period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee, where title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Operating leases

When we are the lessee in an operating lease, we record rental payments on a straight-line basis over the lease term in Non-interest expense.

Finance leases

When we are the lessee in a finance lease, we initially record both the leased asset and the related lease obligation in Premises and equipment, Other intangibles and Other liabilities on our Consolidated Balance Sheets at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the date of inception of the lease. Initial direct costs directly attributed to the lease are recognized as an asset under the finance lease.

Earnings per share

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

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities or contracts that entitle their holders to obtain common shares in the future, to the extent such entitlement is not subject to unresolved contingencies. For contracts that may be settled in cash or in common shares at our option, diluted earnings per share is calculated based on the assumption that such contracts will be settled in shares. Income and expenses associated with these types of contracts are

excluded from the Net income available to common shareholders, and the additional number of shares that would be issued is included in the diluted earnings per share calculation. These contracts include our convertible Preferred Shares and Trust Capital Securities. For stock options whose exercise price is less than the average market price of our common shares, they are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

Share capital

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

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

Future changes in accounting policy and disclosure

We are currently assessing the impact of adopting the following standards on our consolidated financial statements:

IAS 32 Financial Instruments: Presentation (IAS 32)

In December 2011, the IASB issued amendments to IAS 32 which clarify the existing requirements for offsetting financial assets and financial liabilities. The amendments will be effective for us on November 1, 2014. The adoption of these amendments is not expected to have a material impact on our consolidated financial statements.

IFRS Interpretations Committee Interpretation 21 Levies (IFRIC 21)

In May 2013, the IASB issued IFRIC 21 which provides guidance on when to recognize a liability to pay a levy that is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 will be effective for us on November 1, 2014. The adoption of this interpretation is not expected to have a material impact on our consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for us on November 1, 2017.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at FVTPL, fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities.

We adopted the own credit provisions of IFRS 9 in the second quarter of this year. The remaining sections of IFRS 9 will be effective for us no later than November 1, 2018.

Note 3 Fair value of financial instruments

Carrying value and fair value of selected financial instruments

The following tables provide a comparison of the carrying and fair values for each classification of financial instruments.

(Millions of Canadian dollars)	As at October 31, 2014							
	Carrying value and fair value			Carrying value	Fair value		Total carrying amount	Total fair value
	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Available-for-sale instruments measured at fair value	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost			
Financial assets								
Securities								
Trading	\$ 141,217	\$ 10,163	\$ –	\$ –	\$ –	\$ 151,380	\$ 151,380	
Available-for-sale (1)	–	–	46,009	1,759	1,762	47,768	47,771	
Total Securities	141,217	10,163	46,009	1,759	1,762	199,148	199,151	
Assets purchased under reverse repurchase agreements and securities borrowed	–	85,292	–	50,288	50,288	135,580	135,580	
Loans								
Retail	–	–	–	333,763	335,178	333,763	335,178	
Wholesale	1,337	2,278	–	97,851	97,758	101,466	101,373	
	1,337	2,278	–	431,614	432,936	435,229	436,551	
Other								
Derivatives	87,402	–	–	–	–	87,402	87,402	
Other assets	–	930	–	32,975	32,975	33,905	33,905	
Financial liabilities								
Deposits								
Personal	\$ 112	\$ 13,289	–	\$ 195,816	\$ 195,964	\$ 209,217	\$ 209,365	
Business and government (2)	–	59,446	–	327,214	328,328	386,660	387,774	
Bank (3)	–	6,592	–	11,631	11,636	18,223	18,228	
	112	79,327	–	534,661	535,928	614,100	615,367	
Other								
Obligations related to securities sold short	50,345	–	–	–	–	50,345	50,345	
Obligations related to assets sold under repurchase agreements and securities loaned	–	58,411	–	5,920	5,921	64,331	64,332	
Derivatives	88,982	–	–	–	–	88,982	88,982	
Other liabilities	20	30	–	36,816	36,762	36,866	36,812	
Subordinated debentures	–	106	–	7,753	7,712	7,859	7,818	

(Millions of Canadian dollars)	As at October 31, 2013							
	Carrying value and fair value			Carrying value	Fair value		Total carrying amount	Total fair value
	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Available-for-sale instruments measured at fair value	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost			
Financial assets								
Securities								
Trading	\$ 135,346	\$ 8,677	\$ –	\$ –	\$ –	\$ 144,023	\$ 144,023	
Available-for-sale (1)	–	–	38,286	401	401	38,687	38,687	
Total Securities	135,346	8,677	38,286	401	401	182,710	182,710	
Assets purchased under reverse repurchase agreements and securities borrowed	–	82,023	–	35,494	35,494	117,517	117,517	
Loans								
Retail	–	–	–	319,447	317,635	319,447	317,635	
Wholesale	614	964	–	87,825	87,848	89,403	89,426	
	614	964	–	407,272	405,483	408,850	407,061	
Other								
Derivatives	74,822	–	–	–	–	74,822	74,822	
Other assets	–	983	–	28,820	28,820	29,803	29,803	
Financial liabilities								
Deposits								
Personal	\$ 69	\$ 9,069	–	\$ 185,805	\$ 185,989	\$ 194,943	\$ 195,127	
Business and government (2)	–	56,037	–	298,556	299,442	354,593	355,479	
Bank (3)	–	1,932	–	11,611	11,611	13,543	13,543	
	69	67,038	–	495,972	497,042	563,079	564,149	
Other								
Obligations related to securities sold short	47,128	–	–	–	–	47,128	47,128	
Obligations related to assets sold under repurchase agreements and securities loaned	–	53,948	–	6,468	6,468	60,416	60,416	
Derivatives	76,745	–	–	–	–	76,745	76,745	
Other liabilities	(2)	42	–	34,352	34,352	34,392	34,392	
Subordinated debentures	–	109	–	7,334	7,285	7,443	7,394	

(1) Available-for-sale securities include held-to-maturity securities that are recorded at amortized cost.

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

(3) Bank refers to regulated banks.

The following tables present information on loans and receivables designated as at FVTPL, the maximum exposure to credit risk, the extent to which the risk is mitigated by credit derivatives and similar instruments, and changes in the fair value of these assets. For our loans and receivables designated as at FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in fair value calculated using the appropriate risk-free yield curves.

Loans and receivables designated as at fair value through profit or loss

	As at October 31, 2014						
	Carrying amount of loans and receivables designated as at FVTPL	Maximum exposure to credit risk	Extent to which credit derivatives or similar instruments mitigate credit risk	Changes in fair value for the year attributable to changes in credit risk for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held (1)	Changes in fair value of credit derivatives or similar instruments for the year	Cumulative change in fair value of credit derivatives or similar instruments (1)
(Millions of Canadian dollars)							
Interest-bearing deposits with banks	\$ 5,603	\$ 5,603	\$ –	\$ –	\$ –	\$ –	\$ –
Assets purchased under reverse repurchase agreements and securities borrowed	85,292	85,292	–	–	–	–	–
Loans – Wholesale	2,278	2,278	242	4	5	–	–
Other Assets	326	326	–	–	–	–	–
	\$ 93,499	\$ 93,499	\$ 242	\$ 4	\$ 5	\$ –	\$ –

	As at October 31, 2013						
	Carrying amount of loans and receivables designated as at FVTPL	Maximum exposure to credit risk	Extent to which credit derivatives or similar instruments mitigate credit risk	Changes in fair value for the year attributable to changes in credit risk for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held (1)	Changes in fair value of credit derivatives or similar instruments for the year	Cumulative change in fair value of credit derivatives or similar instruments (1)
(Millions of Canadian dollars)							
Interest-bearing deposits with banks	\$ 2,424	\$ 2,424	\$ –	\$ –	\$ –	\$ –	\$ –
Assets purchased under reverse repurchase agreements and securities borrowed	82,023	82,023	–	–	–	–	–
Loans – Wholesale	964	964	224	3	1	–	–
Other assets	463	463	–	–	–	–	–
	\$ 85,874	\$ 85,874	\$ 224	\$ 3	\$ 1	\$ –	\$ –

(1) The cumulative change is measured from the initial recognition of the credit derivative or similar instruments.

The following tables present the changes in the fair value of our financial liabilities designated as at FVTPL as well as their contractual maturity and carrying amounts. For our financial liabilities designated as at FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in the fair value attributable to changes in market conditions such as changes in benchmark interest rate or foreign exchange rate.

Liabilities designated as at fair value through profit or loss

	As at October 31, 2014						
	Contractual maturity amount	Carrying Value	Difference between carrying value and contractual maturity amount	Changes in fair value for the year ended attributable to changes in credit risk included in net income for positions still held	Changes in fair value for the year ended attributable to changes in credit risk included in other comprehensive income for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held (1)	
(Millions of Canadian dollars)							
Term deposits							
Personal	\$ 12,964	\$ 13,289	\$ 325	\$ –	\$ 13	\$ 19	
Business and government (2)	59,139	59,446	307	–	61	58	
Bank (3)	6,592	6,592	–	–	–	–	
	78,695	79,327	632	–	74	77	
Obligations related to assets sold under repurchase agreements and securities loaned	58,413	58,411	(2)	–	–	–	
Other liabilities	30	30	–	–	–	–	
Subordinated debentures	101	106	5	–	3	(3)	
	\$ 137,239	\$ 137,874	\$ 635	\$ –	\$ 77	\$ 74	

As at October 31, 2013

(Millions of Canadian dollars)	Contractual maturity amount	Carrying value	Difference between carrying value and contractual maturity amount	Changes in fair value for the year ended attributable to changes in credit risk included in net income for positions still held	Changes in fair value for the year ended attributable to changes in credit risk included in other comprehensive income for positions still held	Cumulative change in fair value attributable to changes in credit risk for positions still held (1)
Term deposits						
Personal	\$ 8,963	\$ 9,069	\$ 106	\$ (20)	n.a.	\$ 6
Business and government (2)	56,216	56,037	(179)	36	n.a.	(3)
Bank (3)	1,932	1,932	–	–	n.a.	–
	67,111	67,038	(73)	16	n.a.	3
Obligations related to assets sold under repurchase agreements and securities loaned						
Other liabilities	53,952	53,948	(4)	–	n.a.	–
Subordinated debentures	42	42	–	–	n.a.	–
	106	109	3	6	n.a.	(6)
	\$ 121,211	\$ 121,137	\$ (74)	\$ 22	n.a.	\$ (3)

(1) The cumulative change is measured from the initial recognition of the liabilities designated as at FVTPL. For the year ended October 31, 2014, \$4 million of fair value losses previously included in OCI were realized for financial liabilities derecognized during the year.

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

(3) Bank refers to regulated banks.

n.a. not applicable.

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

The following tables present the financial instruments that are measured at fair value on a recurring basis and classified by the fair value hierarchy.

(Millions of Canadian dollars)	As at											
	October 31, 2014						October 31, 2013					
	Fair value measurements using			Total gross fair value	Netting adjustments	Assets/liabilities at fair value	Fair value measurements using			Total gross fair value	Netting adjustments	Assets/liabilities at fair value
Level 1	Level 2	Level 3	Level 1				Level 2	Level 3				
Financial assets												
Interest bearing deposits with banks	\$ -	\$ 5,603	\$ -	\$ 5,603	\$ -	\$ 5,603	\$ -	\$ 2,424	\$ -	\$ 2,424	\$ -	\$ 2,424
Securities												
Trading												
Canadian government debt (1)												
Federal	8,288	5,855	-	14,143		14,143	11,978	6,976	-	18,954		18,954
Provincial and municipal	-	11,371	-	11,371		11,371	-	12,146	-	12,146		12,146
U.S. state, municipal and agencies debt (1)	1,838	27,628	6	29,472		29,472	5,480	23,980	22	29,482		29,482
Other OECD government debt (2)	7,334	7,991	-	15,325		15,325	2,815	8,101	370	11,286		11,286
Mortgage-backed securities (1)	-	964	4	968		968	-	802	28	830		830
Asset-backed securities												
CDOs (3)	-	37	74	111		111	-	-	31	31		31
Non-CDO securities	-	889	364	1,253		1,253	-	1,084	260	1,344		1,344
Corporate debt and other debt	15	27,422	149	27,586		27,586	-	24,346	415	24,761		24,761
Equities	47,396	3,589	166	51,151		51,151	41,874	3,132	183	45,189		45,189
	64,871	85,746	763	151,380		151,380	62,147	80,567	1,309	144,023		144,023
Available-for-sale (4)												
Canadian government debt (1)												
Federal	429	11,540	-	11,969		11,969	153	9,690	-	9,843		9,843
Provincial and municipal	-	799	-	799		799	-	667	-	667		667
U.S. state, municipal and agencies debt (1)	29	4,839	1,389	6,257		6,257	26	4,238	2,014	6,278		6,278
Other OECD government debt	6,979	7,303	11	14,293		14,293	5,463	5,434	-	10,897		10,897
Mortgage-backed securities (1)	-	138	-	138		138	-	139	-	139		139
Asset-backed securities												
CDOs	-	857	24	881		881	-	1,294	103	1,397		1,397
Non-CDO securities	-	381	182	563		563	-	283	180	463		463
Corporate debt and other debt	-	7,714	1,573	9,287		9,287	-	5,096	1,673	6,769		6,769
Equities	140	514	1,028	1,682		1,682	137	585	969	1,691		1,691
Loan substitute securities	102	24	-	126		126	103	24	-	127		127
	7,679	34,109	4,207	45,995		45,995	5,882	27,450	4,939	38,271		38,271
Assets purchased under reverse repurchase agreements and securities borrowed	-	85,292	-	85,292		85,292	-	82,023	-	82,023		82,023
Loans	-	3,154	461	3,615		3,615	-	1,164	414	1,578		1,578
Other												
Derivatives												
Interest rate contracts	13	102,176	339	102,528		102,528	22	78,517	333	78,872		78,872
Foreign exchange contracts	-	33,761	48	33,809		33,809	-	20,709	76	20,785		20,785
Credit derivatives	-	244	10	254		254	-	193	32	225		225
Other contracts	3,238	4,839	560	8,637		8,637	2,558	3,219	858	6,635		6,635
Valuation adjustments (5)	-	(702)	(56)	(758)		(758)	(2)	(398)	(105)	(505)		(505)
Total gross derivatives	3,251	140,318	901	144,470		144,470	2,578	102,240	1,194	106,012		106,012
Netting adjustments					(57,068)	(57,068)					(31,190)	(31,190)
Total derivatives						87,402						74,822
Other assets	604	326	-	930		930	520	452	11	983		983
	\$ 76,405	\$ 354,548	\$ 6,332	\$ 437,285	\$ (57,068)	\$ 380,217	\$ 71,127	\$ 296,320	\$ 7,867	\$ 375,314	\$ (31,190)	\$ 344,124
Financial Liabilities												
Deposits												
Personal	\$ -	\$ 12,904	\$ 497	\$ 13,401	\$ -	\$ 13,401	\$ -	\$ 8,095	\$ 1,043	\$ 9,138	\$ -	\$ 9,138
Business and government	-	59,376	70	59,446		59,446	-	52,104	3,933	56,037		56,037
Bank	-	6,592	-	6,592		6,592	-	1,932	-	1,932		1,932
Other												
Obligations related to securities sold short	32,857	17,484	4	50,345		50,345	31,832	15,280	16	47,128		47,128
Obligations related to assets sold under repurchase agreements and securities loaned	-	58,411	-	58,411		58,411	-	53,948	-	53,948		53,948
Derivatives												
Interest rate contracts	9	96,752	709	97,470		97,470	9	74,113	791	74,913		74,913
Foreign exchange contracts	-	35,664	39	35,703		35,703	-	22,715	193	22,908		22,908
Credit derivatives	-	327	15	342		342	-	295	37	332		332
Other contracts	2,886	8,537	1,062	12,485		12,485	2,379	5,979	1,727	10,085		10,085
Valuation adjustments (5)	-	(65)	29	(36)		(36)	n.a.	n.a.	n.a.	n.a.		n.a.
Total gross derivatives	2,895	141,215	1,854	145,964		145,964	2,388	103,102	2,748	108,238		108,238
Netting adjustments					(56,982)	(56,982)					(31,493)	(31,493)
Total derivatives						88,982						76,745
Other liabilities	-	30	20	50		50	-	37	3	40		40
Subordinated debentures	-	106	-	106		106	-	-	109	109		109
	\$ 35,752	\$ 296,118	\$ 2,445	\$ 334,315	\$ (56,982)	\$ 277,333	\$ 34,220	\$ 234,498	\$ 7,852	\$ 276,570	\$ (31,493)	\$ 245,077

(1) As at October 31, 2014, residential and commercial mortgage-backed securities (MBS) included in all fair value levels of Trading securities were \$6,564 million and \$81 million (October 31, 2013 - \$4,934 million and \$93 million), respectively, and in all fair value levels of AFS securities, \$6,956 million and \$34 million (October 31, 2013 - \$3,105 and \$35 million), respectively.

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

(3) CDOs stand for Collateralized Debt Obligations.

(4) Excludes \$14 million and \$1,759 million of AFS and held-to-maturity securities (October 31, 2013 - \$15 million and \$401 million), respectively, that are carried at cost.

(5) IFRS 13 requirements are applied on a prospective basis and the standard permits an exception, through an accounting policy choice, to measure the fair value of a portfolio of financial instruments on a net open risk position basis when certain criteria are met. We have elected to use this policy choice to determine fair value of certain portfolios of financial instruments, primarily derivatives, on a net exposure to market or credit risk. The valuation adjustment amounts in this table include those determined on a portfolio basis.

n.a. not applicable.

The following describes how fair values are determined, what inputs are used and where they are classified in the fair value hierarchy table above, for our significant assets and liabilities that are measured at fair value on a recurring basis:

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

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

Corporate and U.S. municipal bonds

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

Asset-backed securities and Mortgage-backed securities

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

Auction rate securities

Auction rate securities (ARS) are included in U.S. state, municipal and agencies debt, and Asset-backed securities in the fair value hierarchy table. The valuation of ARS involves discounting forecasted cash flows from the underlying student loan collateral and incorporating multiple inputs such as default, prepayment, deferment and redemption rates, and credit spreads. These inputs are unobservable, and therefore, ARS are classified as Level 3 in the hierarchy. All relevant data must be assessed and significant judgment is required to determine the appropriate valuation inputs.

Equities

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

Derivatives

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

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

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

Deposits

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

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

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

As at October 31, 2014 (Millions of Canadian dollars, except for prices, percentages and ratios)

Products	Reporting line in the fair value hierarchy table	Fair value		Valuation techniques	Significant unobservable inputs (1)	Range of input values (2), (3), (4)		
		Assets	Liabilities			Low	High	Weighted average / Inputs distribution (5)
Non-derivative financial instruments								
Asset-backed securities								
	Asset-backed securities	\$ 478		Price-based Discounted cash flows	Prices Discount margins Yields Default rates Prepayment rates Loss severity rates	\$ 53.70 0.70% 2.84% 1.00% 15.00% 30.00%	\$ 90.50 9.48% 5.36% 5.00% 30.00% 70.00%	\$ 75.92 5.09% 3.52% 2.00% 20.00% 50.00%
Auction rate securities								
	U.S. state, municipal and agencies debt	979		Discounted cash flows	Discount margins Default rates Prepayment rates Recovery rates	1.32% 9.00% 4.00% 40.00%	4.63% 10.00% 8.00% 97.50%	2.26% 9.80% 4.76% 93.51%
	Asset-backed securities	166						
Corporate debt								
	Corporate debt and other debt	100		Price-based Discounted cash flows	Prices Yields Capitalization rates Liquidity discounts (6)	\$ 2.50 2.75% 6.43% 10.00%	\$ 119.52 7.50% 9.47% 10.00%	\$ 97.86 3.84% 7.95% 10.00%
	Loans	461						
	Obligations related to securities sold short		4					
Government debt and municipal bonds								
	U.S. state, municipal and agencies debt	416		Price-based Discounted cash flows	Prices Yields	\$ 67.38 0.17%	\$ 100.00 30.15%	\$ 96.24 3.06%
	Other OECD government debt	11						
	Corporate debt and other debt	1,616						
Bank funding and deposits								
	Deposits		70	Discounted cash flows	Interest rate (IR)–IR correlations Foreign exchange (FX)–FX correlations FX–IR correlations	19.00% 68.00% 29.00%	67.00% 68.00% 56.00%	Even Even Even
Private equities, hedge fund investments and related equity derivatives								
	Equities	1,194		Market comparable	EV/EBITDA multiples P/E multiples	4.00 X 8.79 X	10.80 X 15.70 X	8.73 X 11.79 X
	Derivative-related assets	11		Price-based Discounted cash flows	EV/Rev multiples Liquidity discounts (6) Discount rate Net Asset Values /Prices (7)	0.45 X –% 12.00% n.a.	7.50 X 50.00% 17.00% n.a.	4.97 X 26.92% 14.78% n.a.
	Derivative-related liabilities		434					
Derivative financial instruments								
Interest rate derivatives and interest-rate-linked structured notes (8)								
	Derivative-related assets	348		Discounted cash flows Option pricing model	Interest rates CPI swap rates IR–IR correlations FX–IR correlations FX–FX correlations IR volatilities	2.96% 1.73% 19.00% 29.00% 68.00% 26.28%	2.98% 2.30% 67.00% 56.00% 68.00% 28.28%	Even Even Even Even Even Even
	Derivative-related liabilities		732					
Equity derivatives and equity-linked structured notes (8)								
	Derivative-related assets	442		Discounted cash flows Option pricing model	Dividend yields Equity (EQ)–EQ correlations EQ–FX correlations EQ volatilities	0.04% 0.50% (72.80)% 1.00%	18.11% 97.20% 53.20% 172.00%	Lower Middle Middle Lower
	Deposits		497					
	Derivative-related liabilities		529					
Other (9)								
	Mortgage-backed securities	4						
	Corporate debt and other debt	6						
	Derivative-related assets	100						
	Derivative-related liabilities		159					
	Other Liabilities		20					
Total		\$ 6,332	\$ 2,445					

- The acronyms stand for the following: (i) Enterprise Value (EV); (ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA); (iii) Price / Earnings (P/E); (iv) Revenue (Rev); and (v) Consumer Price Index (CPI).
- Comparative information relating to periods before November 1, 2013 is not required by IFRS 13.
- The low and high input values represent the actual highest and lowest level inputs used to value a group of financial instruments in a particular product category. These input ranges do not reflect the level of input uncertainty, but are affected by the different underlying instruments within the product category. The input ranges will therefore vary from period to period based on the characteristics of the underlying instruments held at each balance sheet date. Where provided, the weighted average of the input values is calculated based on the relative fair values of the instruments within the product category. The weighted averages for derivatives are not presented in the table as they would not provide a comparable metric; instead, distribution of significant unobservable inputs within the range for each product category is indicated in the table.
- Price-based inputs are significant for certain debt securities, and are based on external benchmarks, comparable proxy instruments or pre-quarter-end trade data. For these instruments, the price input is expressed in dollars for each \$100 par value. For example, with an input price of \$105, an instrument is valued at a premium over its par value.
- The level of aggregation and diversity within each derivative instrument category may result in certain ranges of inputs being wide and unevenly distributed across the range. In the table, we indicated whether the majority of the inputs are concentrated toward the upper, middle, or lower end of the range, or evenly distributed throughout the range.
- Fair value of securities with liquidity discount inputs totalled \$211 million.
- NAV of a hedge fund is total fair value of assets less liabilities divided by the number of fund units. The NAVs of the funds and the corresponding equity derivatives referenced to NAVs are not considered observable as we cannot redeem certain of these hedge funds at NAV prior to the next quarter end. Private equities are valued based on NAV or valuation techniques. The range for NAV per unit or price per share has not been disclosed for the hedge funds or private equities due to the dispersion of prices given the diverse nature of the investments.
- The structured notes contain embedded equity or interest rate derivatives with unobservable inputs that are similar to those of the equity or interest rate derivatives.
- Other primarily includes certain insignificant instruments such as commodity derivatives, foreign exchange derivatives, credit derivatives and bank-owned life insurance.
- n.a. not applicable

Sensitivity to unobservable inputs and interrelationships between unobservable inputs

Yield, credit spreads/discount margins

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

Funding spread

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

Default rates

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

Prepayment rates

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

Recovery and loss severity rates

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

Capitalization rates

A capitalization rate is a rate of return on a real estate property investment calculated by dividing a property's income by the property's value. A lower capitalization rate increases the property value, and vice versa.

Volatility rates

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

Dividend yields

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

Correlation rates

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

Interest rates

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

Consumer Price Index swap rates

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

Note 3 Fair value of financial instruments (continued)

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

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

Interrelationships between unobservable inputs

Unobservable inputs of ARS, including the above discount margin, default rate, prepayment rate, recovery and loss severity rates, may not be independent of each other. The discount margin of ARS can be affected by a change in default rate, prepayment rate, or recovery and loss severity rates. Discount margins will generally decrease when default rates decline or when recovery rates increase. Prepayments may cause fair value to either increase or decrease.

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

The following tables present the changes in fair value measurements on a recurring basis for instruments included in Level 3 of the fair value hierarchy.

	For the year ended October 31, 2014								Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year ended October 31, 2014 for positions still held
	Fair value November 1, 2013	Total realized/unrealized gains (losses) included in earnings	Total unrealized gains (losses) included in other comprehensive income (1)	Purchases of assets/ issuances of liabilities	Sales of assets/ settlements of liabilities and other (2)	Transfers into Level 3	Transfers out of Level 3	Fair value October 31, 2014	
(Millions of Canadian dollars)									
Assets									
Securities									
Trading									
U.S. state, municipal and agencies debt	\$ 22	\$ -	\$ 2	\$ 47	\$ (61)	\$ 5	\$ (9)	\$ 6	\$ 1
Other OECD government debt	370	-	(4)	-	-	-	(366)	-	-
Mortgage-backed securities	28	(3)	2	90	(83)	1	(31)	4	-
Asset-backed securities									
CDOs	31	15	(9)	130	(85)	7	(15)	74	2
Non-CDO securities	260	(2)	20	2,083	(1,984)	16	(29)	364	(5)
Corporate debt and other debt	415	(2)	27	263	(487)	20	(87)	149	-
Equities	183	1	14	84	(77)	22	(61)	166	-
	1,309	9	52	2,697	(2,777)	71	(598)	763	(2)
Available-for-sale									
U.S. state, municipal and agencies debt	2,014	-	240	-	(856)	-	(9)	1,389	n.a.
Other OECD government debt	-	-	-	1	10	-	-	11	n.a.
Asset-backed securities									
CDOs	103	-	9	-	(36)	24	(76)	24	n.a.
Non-CDO securities	180	(4)	23	-	(17)	-	-	182	n.a.
Corporate debt and other debt	1,673	-	130	1,760	(1,921)	-	(69)	1,573	n.a.
Equities	969	120	120	47	(228)	-	-	1,028	n.a.
	4,939	116	522	1,808	(3,048)	24	(154)	4,207	n.a.
Loans – Wholesale	414	3	32	31	(19)	-	-	461	(22)
Other									
Net derivative balances (3)									
Interest rate contracts	(458)	(100)	(2)	31	(13)	94	78	(370)	(108)
Foreign exchange contracts	(117)	(28)	3	3	-	2	146	9	(18)
Credit derivatives	(5)	(31)	(2)	-	33	-	-	(5)	(5)
Other contracts	(869)	43	(54)	(103)	93	(169)	557	(502)	20
Valuation adjustments	(105)	15	(1)	-	(73)	-	79	(85)	4
Other assets	11	-	-	-	-	-	(11)	-	-
	\$ 5,119	\$ 27	\$ 550	\$ 4,467	\$ (5,804)	\$ 22	\$ 97	\$ 4,478	\$ (131)
Liabilities									
Deposits									
Personal	\$ (1,043)	\$ 11	\$ (54)	\$ (560)	\$ 184	\$ (299)	\$ 1,264	\$ (497)	\$ 20
Business and government	(3,933)	(184)	(180)	(1,551)	265	-	5,513	(70)	(7)
Other									
Obligations related to securities sold short	(16)	1	(1)	(198)	202	-	8	(4)	-
Other liabilities	(3)	29	-	-	(50)	-	4	(20)	(22)
Subordinated debentures	(109)	-	(3)	-	-	-	112	-	-
	\$ (5,104)	\$ (143)	\$ (238)	\$ (2,309)	\$ 601	\$ (299)	\$ 6,901	\$ (591)	\$ (9)

(Millions of Canadian dollars)	Fair value November 1, 2012	Total realized/ unrealized gains (losses) included in earnings	Total unrealized gains (losses) included in other comprehensive income (1)	Purchases of assets/ issuances of liabilities	Sales of assets/ settlements of liabilities and other (2)	Transfers into Level 3	Transfers out of Level 3	Fair value October 31, 2013	Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year ended October 31, 2013 for positions still held
									October 31, 2013
Assets									
Securities									
Trading									
U.S. state, municipal and agencies debt	\$ 99	\$ 2	\$ 2	\$ 414	\$ (525)	\$ 34	\$ (4)	\$ 22	\$ -
Other OECD government debt	375	(1)	6	633	(237)	-	(406)	370	-
Mortgage-backed securities	55	7	2	50	(64)	21	(43)	28	1
Asset-backed securities									
CDOs	59	10	1	16	(48)	-	(7)	31	8
Non-CDO securities	23	(2)	7	4,608	(4,376)	70	(70)	260	(2)
Corporate debt and other debt	397	19	10	634	(655)	96	(86)	415	1
Equities	302	(16)	8	107	(224)	7	(1)	183	(29)
	1,310	19	36	6,462	(6,129)	228	(617)	1,309	(21)
Available-for-sale									
U.S. state, municipal and agencies debt	1,906	-	88	417	(406)	9	-	2,014	n.a.
Other OECD government debt	-	-	-	-	-	-	-	-	n.a.
Asset-backed securities									
CDOs	1,996	-	67	-	(542)	12	(1,430)	103	n.a.
Non-CDO securities	645	4	36	-	(505)	-	-	180	n.a.
Corporate debt and other debt	1,446	(12)	80	1,281	(1,172)	50	-	1,673	n.a.
Equities	948	65	51	27	(122)	-	-	969	n.a.
	6,941	57	322	1,725	(2,747)	71	(1,430)	4,939	n.a.
Loans – Wholesale	403	8	22	288	(307)	-	-	414	-
Other									
Net derivative balances (3)									
Interest rate contracts	(487)	70	(3)	32	(70)	(4)	4	(458)	95
Foreign exchange contracts	(198)	46	21	19	(9)	13	(9)	(117)	56
Credit derivatives	(22)	(21)	-	-	38	-	-	(5)	(8)
Other contracts	(1,052)	(193)	(33)	153	101	(79)	234	(869)	13
Valuation adjustments	(282)	160	-	(6)	26	(2)	(1)	(105)	124
Other assets	14	(3)	-	-	-	-	-	11	1
	\$ 6,627	\$ 143	\$ 365	\$ 8,673	\$ (9,097)	\$ 227	\$ (1,819)	\$ 5,119	\$ 260
Liabilities									
Deposits									
Personal	\$ (6,840)	\$ (737)	\$ (102)	\$ (6,133)	\$ 7,213	\$ (69)	\$ 5,625	\$ (1,043)	\$ (34)
Business and government	(2,519)	(11)	(95)	(1,738)	165	-	265	(3,933)	(120)
Other									
Obligations related to securities sold short	(8)	10	-	(96)	79	(8)	7	(16)	-
Other liabilities	(101)	98	(3)	-	3	-	-	(3)	98
Subordinated debentures	(122)	(6)	19	-	-	-	-	(109)	(6)
	\$ (9,590)	\$ (646)	\$ (181)	\$ (7,967)	\$ 7,460	\$ (77)	\$ 5,897	\$ (5,104)	\$ (62)

(1) These amounts include the foreign currency translation gains or losses arising on consolidation of foreign subsidiaries relating to the Level 3 instruments, where applicable. The unrealized gains included in OCI on AFS securities were \$152 million for the year ended October 31, 2014 (October 31, 2013 – gains of \$79 million), excluding the translation gains or losses arising on consolidation.

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

(3) Net derivatives as at October 31, 2014 included derivative assets of \$901 million (October 31, 2013 – \$1,194 million) and derivative liabilities of \$1,854 million (October 31, 2013 – \$2,748 million).

n.a. not applicable

Total gains or losses of Level 3 instruments recognized in earnings (1)

(Millions of Canadian dollars)	For the year ended October 31, 2014					
	Total realized/unrealized gains (losses) included in earnings			Changes in unrealized gains (losses) included in earnings for assets and liabilities for the year ended October 31, 2014 for positions still held		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Non-interest income						
Insurance premiums, investment and fee income	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ -
Trading revenue	686	(882)	(196)	136	(208)	(72)
Net gain on available-for-sale securities	115	-	115	-	-	-
Credit fees and Other	(3)	(33)	(36)	11	(79)	(68)
	\$ 799	\$ (915)	\$ (116)	\$ 147	\$ (287)	\$ (140)

(1) Comparative information relating to periods before November 1, 2013 is not required by IFRS 13.

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

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

Transfers between Level 1 and Level 2 are dependent on whether fair value is obtained on the basis of quoted market prices in active markets (Level 1) as opposed to fair value estimated using observable inputs in a discounted cash flow method (Level 2). For the year ended October 31, 2014, \$1,905 million of certain government bonds reported in Trading and Available-for-sale U.S. state, municipal and agencies debt, and \$1,027 million included in Obligations related to securities sold short were transferred from Level 1 to the corresponding Level 2 balances. During the year ended October 31, 2013, \$1,105 million of certain government bonds reported in Trading U.S. state, municipal and agencies debt, and \$1,308 million included in Obligations related to securities sold short were transferred from Level 1 to the corresponding Level 2 balances, and certain government bonds of \$122 million reported in Trading Canadian government debt – Federal were transferred from Level 2 to the corresponding Level 1 balances.

During the year ended October 31, 2014, significant transfers out of Level 3 included: (i) Other OECD government debt of \$366 million, due to improved price transparency; (ii) net Interest rate contracts of \$112 million, due to the increase in observability of swap rates; (iii) net Foreign exchange contracts of \$149 million, due to shorter maturities; (iv) net Other contracts of \$515 million, mainly due to the increase in observability of pricing in the underlying investments; (v) Personal deposits of \$1,071 million and \$185 million, as the unobservable inputs did not significantly affect their fair values, and the equity volatility became observable, respectively; (vi) Business and government deposits of \$5,032 million, as the funding spread became observable; and (vii) Business and government deposits of \$462 million, as yields became observable. Significant transfer in to Level 3 includes Personal deposits of \$139 million, as the equity volatility became unobservable.

During the year ended October 31, 2013, significant transfers out of Level 3 included: (i) Other OECD government debt of \$406 million, due to increased market activity; (ii) CDOs of \$1,437 million, as a result of increased price transparency evidenced by trade data, dealer data or multiple vendor quotes; (iii) certain net derivative balances, with a majority of the transfers related to derivatives for which pricing became observable as maturity dates became shorter due to the passage of time; (iv) Personal deposits of \$5,535 million, transferred out of Level 3, as unobservable inputs did not significantly affect fair value measurement of these instruments.

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

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

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

As at

(Millions of Canadian dollars)	October 31, 2014			October 31, 2013		
	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives
Securities						
Trading						
U.S. state, municipal and agencies debt	\$ 6	\$ –	\$ –	\$ 22	\$ –	\$ (1)
Other OECD government debt	–	–	–	370	–	–
Mortgage-backed securities	4	1	(1)	28	1	(2)
Asset-backed securities	438	10	(14)	291	3	(3)
Corporate debt and other debt	149	2	(2)	415	42	(32)
Equities	166	–	–	183	–	–
Available-for-sale						
U.S. state, municipal and agencies debt	1,389	23	(57)	2,014	20	(64)
Other OECD government debt	11	–	–	–	–	–
Asset-backed securities	206	12	(18)	283	9	(16)
Corporate debt and other debt	1,573	12	(10)	1,673	9	(10)
Equities	1,028	92	(23)	969	24	(20)
Loans	461	12	(11)	414	3	(3)
Derivatives	901	23	(21)	1,194	84	(85)
Other assets	–	–	–	11	–	–
	\$ 6,332	\$ 187	\$ (157)	\$ 7,867	\$ 195	\$ (236)
Deposits	(567)	14	(14)	(4,976)	60	(39)
Derivatives	(1,854)	38	(59)	(2,748)	77	(100)
Other, securities sold short, other liabilities and subordinated debentures	(24)	–	–	(128)	1	–
	\$ (2,445)	\$ 52	\$ (73)	\$ (7,852)	\$ 138	\$ (139)

Sensitivity results

As at October 31, 2014, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of \$187 million and a reduction of \$157 million in fair value, of which \$139 million and \$98 million would be recorded in Other components of equity, respectively. The effects of applying these assumptions to the Level 3 liability positions would result in a decrease of \$52 million and an increase of \$73 million in fair value.

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

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

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting, plus or minus one standard deviation, the bid-offer spreads or input prices if a sufficient number of prices is received, or using high and low vendor prices as reasonably possible alternative assumptions.
Auction Rate Securities	Sensitivity of ARS is determined by decreasing the discount margin between 12% and 15% and increasing the discount margin between 19% and 38%, depending on the specific reasonable range of fair value uncertainty for each particular financial instrument's market. Changes to the discount margin reflect historic monthly movements in the student loan asset-backed securities market.
Private equities, hedge fund investments and related equity derivatives	Sensitivity of direct private equity investments is determined by (i) adjusting the discount rate by 2% when discounted cash flow method is used to determine fair value, (ii) adjusting the price multiples based on the range of multiples of comparable companies when price-based models are used, or (iii) using an alternative valuation approach. NAVs of the private equity funds, hedge funds and related equity derivatives are provided by the fund managers, and as a result, there are no other reasonably possible alternative assumptions for these investments.
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of these inputs, and an amount based on model and parameter uncertainty, where applicable.
Equity derivatives	Sensitivity of the Level 3 position will be determined by shifting the unobservable model inputs by plus or minus one standard deviation of the pricing service market data including volatility, dividends or correlations, as applicable.
Bank funding and deposits	Sensitivities of deposits are calculated by shifting the funding curve by plus or minus certain basis points.
Structured notes	Sensitivities for interest-rate-linked and equity-linked structured notes are derived by adjusting inputs by plus or minus one standard deviation, and for other deposits, by estimating a reasonable move in the funding curve by plus or minus certain basis points.
Municipal guaranteed investment certificates	Sensitivity is calculated using plus or minus one standard deviation of the funding curve bid-offer spread.

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

The following table presents fair values of financial instruments that are carried at amortized cost and classified by the fair value hierarchy.

	As at October 31, 2014 ⁽¹⁾						
	Fair value always approximates carrying value ⁽²⁾	Fair value may not approximate carrying value				Total	Total Fair value
		Fair value measurements using					
(Millions of Canadian dollars)		Level 1	Level 2	Level 3			
Held-to-maturity securities ⁽³⁾	\$ –	\$ 5	\$ 1,522	\$ 235	\$ 1,762	\$ 1,762	
Assets purchased under reverse repurchase agreements and securities borrowed	29,198	–	21,090	–	21,090	50,288	
Loans							
Retail	65,766	–	265,038	4,374	269,412	335,178	
Wholesale	5,603	–	88,940	3,215	92,155	97,758	
	71,369	–	353,978	7,589	361,567	432,936	
Other assets	28,224	–	4,546	205	4,751	32,975	
	128,791	5	381,136	8,029	389,170	517,961	
Deposits							
Personal	139,209	–	55,924	831	56,755	195,964	
Business and government	176,555	–	150,827	946	151,773	328,328	
Bank	9,659	–	1,915	62	1,977	11,636	
	325,423	–	208,666	1,839	210,505	535,928	
Obligations related to assets sold under repurchase agreements and securities loaned	5,419	–	502	–	502	5,921	
Other liabilities	27,280	–	5,699	3,783	9,482	36,762	
Subordinated debentures	–	–	7,657	55	7,712	7,712	
	\$ 358,122	\$ –	\$ 222,524	\$ 5,677	\$ 228,201	\$ 586,323	

(1) Comparative information relating to periods before November 1, 2013 is not required by IFRS 13.

(2) Certain financial instruments have not been assigned to a level as the carrying amount always approximates their fair values due to the short-term nature (instruments that are receivable or payable on demand, or with original maturity of three months or less) and insignificant credit risk.

(3) Included in Securities – Available-for-sale on our Consolidated Balance Sheets

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

Held-to-maturity securities

Fair values of Canadian Federal and OECD government bonds, and corporate bonds are based on quoted prices. Fair values of certain Non-OECD government bonds are based on vendor prices or the discounted cash flow method with yield curves of other countries' government bonds as inputs.

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

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

Loans – Retail

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

Loans – Wholesale

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

Deposits

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

Other assets and Other liabilities

Other assets and Other liabilities include receivables and payables relating to certain commodities and option premiums. Fair values of the commodity receivables and payables are calculated by the discounted cash flow method using applicable inputs such as market interest rates, counterparties' credit spreads, our funding spreads, commodity forward prices and spot prices. The option premium receivables and payables are valued by the discounted cash flow models using market interest rates as inputs.

Subordinated debentures

Fair values of Subordinated debentures are based on recent transaction prices.

Note 4 Securities

Carrying value of securities

The following table presents the financial instruments that we held at the end of the period, measured at carrying value:

	As at October 31, 2014						
	Term to maturity ⁽¹⁾					With no specific maturity	Total
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years		
(Millions of Canadian dollars)							
Trading ⁽²⁾							
Canadian government debt	\$ 3,050	\$ 6,651	\$ 7,594	\$ 2,232	\$ 5,987	\$ –	\$ 25,514
U.S. state, municipal and agencies debt	3,272	6,811	7,109	5,678	6,602	–	29,472
Other OECD government debt	1,637	3,205	6,223	1,594	2,666	–	15,325
Mortgage-backed securities ⁽³⁾	–	1	86	246	635	–	968
Asset-backed securities ⁽³⁾	56	66	307	321	614	–	1,364
Corporate debt and other debt ⁽³⁾							
Bankers' acceptances	754	8	–	–	–	–	762
Certificates of deposit	17	342	574	30	17	–	980
Other ⁽⁴⁾	470	5,501	13,086	2,998	3,789	–	25,844
Equities	–	–	–	–	–	51,151	51,151
	9,256	22,585	34,979	13,099	20,310	51,151	151,380
Available-for-sale ⁽²⁾							
Canadian government debt							
Federal							
Amortized cost	626	615	8,195	2,197	–	–	11,633
Fair value	627	619	8,356	2,367	–	–	11,969
Yield ⁽⁵⁾	1.8%	2.8%	2.2%	3.3%	–	–	2.4%
Provincial and municipal							
Amortized cost	–	–	644	130	18	–	792
Fair value	–	–	648	131	20	–	799
Yield ⁽⁵⁾	–	–	2.4%	2.9%	4.9%	–	2.5%
U.S. state, municipal and agencies debt							
Amortized cost	108	385	80	213	5,544	–	6,330
Fair value	108	383	81	213	5,472	–	6,257
Yield ⁽⁵⁾	0.0%	8.5%	0.7%	0.4%	0.7%	–	1.1%
Other OECD government debt							
Amortized cost	5,663	2,138	6,357	117	–	–	14,275
Fair value	5,663	2,139	6,374	117	–	–	14,293
Yield ⁽⁵⁾	0.1%	0.2%	0.9%	0.4%	–	–	0.5%
Mortgage-backed securities							
Amortized cost	–	–	–	17	116	–	133
Fair value	–	–	–	17	121	–	138
Yield ⁽⁵⁾	–	–	–	3.0%	1.8%	–	2.0%
Asset-backed securities							
Amortized cost	–	–	381	833	277	–	1,491
Fair value	–	–	387	849	208	–	1,444
Yield ⁽⁵⁾	–	–	0.6%	0.5%	1.0%	–	0.6%
Corporate debt and other debt							
Amortized cost	1,625	822	5,820	727	255	–	9,249
Fair value	1,628	823	5,840	739	257	–	9,287
Yield ⁽⁵⁾	1.1%	2.0%	1.6%	2.0%	4.2%	–	1.7%
Equities							
Cost	–	–	–	–	–	1,333	1,333
Fair value	–	–	–	–	–	1,696	1,696
Loan substitute securities							
Cost	–	–	–	–	–	124	124
Fair value	–	–	–	–	–	126	126
Yield ⁽⁵⁾	–	–	–	–	–	3.9%	3.9%
Amortized cost	8,022	3,960	21,477	4,234	6,210	1,457	45,360
Fair value	8,026	3,964	21,686	4,433	6,078	1,822	46,009
Held-to-maturity ⁽²⁾							
Amortized cost	163	110	38	1,448	–	–	1,759
Fair value	163	110	40	1,449	–	–	1,762
Total carrying value of securities ⁽²⁾	\$ 17,445	\$ 26,659	\$ 56,703	\$ 18,980	\$ 26,388	\$ 52,973	\$ 199,148

As at October 31, 2013							
Term to maturity (1)							
(Millions of Canadian dollars)	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years	With no specific maturity	Total
Trading (2)							
Canadian government debt	\$ 3,341	\$ 8,872	\$ 8,245	\$ 4,204	\$ 6,438	\$ –	\$ 31,100
U.S. state, municipal and agencies debt	2,415	9,852	8,655	3,376	5,184	–	29,482
Other OECD government debt	1,181	2,041	6,281	709	1,074	–	11,286
Mortgage-backed securities (3)	2	6	46	136	640	–	830
Asset-backed securities (3)	90	38	351	206	690	–	1,375
Corporate debt and other debt (3)							
Bankers' acceptances	678	–	–	–	–	–	678
Certificates of deposit	22	493	1,042	19	12	–	1,588
Other (4)	1,319	2,114	12,289	3,115	3,658	–	22,495
Equities	–	–	–	–	–	45,189	45,189
	9,048	23,416	36,909	11,765	17,696	45,189	144,023
Available-for-sale (2)							
Canadian government debt							
Federal							
Amortized cost	852	533	4,927	3,189	4	–	9,505
Fair value	853	540	5,007	3,439	4	–	9,843
Yield (5)	2.6%	2.7%	2.1%	3.6%	4.8%	–	2.7%
Provincial and municipal							
Amortized cost	250	175	181	40	19	–	665
Fair value	250	175	182	40	20	–	667
Yield (5)	1.4%	1.4%	2.5%	4.3%	4.9%	–	2.0%
U.S. state, municipal and agencies debt							
Amortized cost	158	68	521	534	5,141	–	6,422
Fair value	157	68	522	533	4,998	–	6,278
Yield (5)	0.4%	0.1%	2.5%	0.4%	0.7%	–	0.8%
Other OECD government debt							
Amortized cost	5,263	1,306	2,913	1,405	–	–	10,887
Fair value	5,262	1,311	2,917	1,407	–	–	10,897
Yield (5)	0.1%	0.7%	0.7%	0.4%	–	–	0.4%
Mortgage-backed securities							
Amortized cost	–	–	–	25	105	–	130
Fair value	–	–	–	26	113	–	139
Yield (5)	–	–	–	3.5%	2.5%	–	2.7%
Asset-backed securities							
Amortized cost	8	–	279	1,193	408	–	1,888
Fair value	5	–	291	1,237	327	–	1,860
Yield (5)	2.6%	–	1.0%	0.5%	1.1%	–	0.7%
Corporate debt and other debt							
Amortized cost	1,387	939	3,475	615	333	–	6,749
Fair value	1,394	945	3,478	619	333	–	6,769
Yield (5)	1.3%	1.8%	1.7%	2.8%	4.5%	–	1.9%
Equities							
Cost	–	–	–	–	–	1,407	1,407
Fair value	–	–	–	–	–	1,706	1,706
Loan substitute securities							
Cost	–	–	–	–	–	125	125
Fair value	–	–	–	–	–	127	127
Yield (5)	–	–	–	–	–	4.0%	4.0%
Amortized cost	7,918	3,021	12,296	7,001	6,010	1,532	37,778
Fair value	7,921	3,039	12,397	7,301	5,795	1,833	38,286
Held-to-maturity (2)							
Amortized cost	140	141	76	44	–	–	401
Fair value	140	141	76	44	–	–	401
Total carrying value of securities (2)	\$ 17,109	\$ 26,596	\$ 49,382	\$ 19,110	\$ 23,491	\$ 47,022	\$ 182,710

(1) Actual maturities may differ from contractual maturities shown above since borrowers may have the right to prepay obligations with or without prepayment penalties.

(2) Trading securities and AFS securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost.

(3) Includes CDOs which are presented as Asset-backed securities – CDOs in the table entitled Fair value of assets and liabilities measured on a recurring basis and classified using the fair value hierarchy in Note 3.

(4) Primarily composed of corporate debt, supra-national debt, and commercial paper.

(5) The weighted average yield is derived using the contractual interest rate and the carrying value at the end of the year for the respective securities.

Unrealized gains and losses on available-for-sale securities ^{(1), (2)}

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Canadian government debt								
Federal	\$ 11,633	\$ 338	\$ (2)	\$ 11,969	\$ 9,505	\$ 340	\$ (2)	\$ 9,843
Provincial and municipal	792	8	(1)	799	665	3	(1)	667
U.S. state, municipal and agencies debt ⁽³⁾	6,330	9	(82)	6,257	6,422	9	(153)	6,278
Other OECD government debt	14,275	19	(1)	14,293	10,887	14	(4)	10,897
Mortgage-backed securities	133	5	–	138	130	10	(1)	139
Asset-backed securities								
CDOs	857	26	(2)	881	1,343	58	(4)	1,397
Non-CDO securities	634	5	(76)	563	545	3	(85)	463
Corporate debt and other debt	9,249	49	(11)	9,287	6,749	49	(29)	6,769
Equities	1,333	369	(6)	1,696	1,407	312	(13)	1,706
Loan substitute securities	124	2	–	126	125	3	(1)	127
	\$ 45,360	\$ 830	\$ (181)	\$ 46,009	\$ 37,778	\$ 801	\$ (293)	\$ 38,286

(1) Excludes \$1,759 million held-to-maturity securities as at October 31, 2014 (October 31, 2013 – \$401 million) that are carried at cost.

(2) The majority of the MBS are residential. Cost/Amortized cost, gross unrealized gains, gross unrealized losses and fair value related to commercial MBS are \$33 million, \$1 million, \$nil, and \$34 million, respectively as at October 31, 2014 (October 31, 2013 – \$34 million, \$1 million, \$nil, and \$35 million).

(3) Includes securities issued by U.S. non-agencies backed by government insured assets, and MBS and ABS issued by U.S. government agencies.

AFS securities are assessed for objective evidence of impairment at each reporting date and more frequently when conditions warrant. Our impairment review is primarily based on the factors described in Note 2. Depending on the nature of the securities under review, we apply specific methodologies to assess whether the cost/amortized cost of the security would be recovered. As at October 31, 2014, our gross unrealized losses on AFS securities were \$181 million (October 31, 2013 – \$293 million). Management believes that there is no objective evidence of impairment on our AFS securities that are in an unrealized loss position as at October 31, 2014.

Held-to-maturity securities

Held-to-maturity securities stated at amortized cost are subject to periodic impairment review and are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. The impairment review of held-to-maturity securities is primarily based on the impairment model for loans. Management believes that there is no objective evidence of impairment on our held-to-maturity securities as at October 31, 2014.

Net gain and loss on available-for-sale securities ⁽¹⁾

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Realized gains	\$ 232	\$ 231	\$ 242
Realized losses	(15)	(17)	(46)
Impairment losses	(25)	(26)	(48)
	\$ 192	\$ 188	\$ 148

(1) The following related to our insurance operations are excluded from Net gain (loss) on AFS securities and included in Insurance premiums, investment and fee income on the Consolidated Statements of Income: Realized gains for the year ended October 31, 2014 were \$12 million (October 31, 2013 – \$3 million; October 31, 2012 – \$9 million). Realized losses for the year ended October 31, 2014 were \$1 million (October 31, 2013 – \$nil, October 31, 2012 – \$nil). There were no impairment losses related to our insurance operations for the years ended October 31, 2014, October 31, 2013 and October 31, 2012.

During the year ended October 31, 2014, \$192 million of net gains were recognized in Non-interest income as compared to \$188 million in the prior year. The current year reflects net realized gains of \$217 million mainly comprised of distributions from and gains on sale of certain Equities, redemption and restructurings of certain Asset-backed securities and the sale of Canadian government debt. Partially offsetting the net realized gains are \$25 million of impairment losses primarily on certain Equities. This compares to net realized gains for the year ended October 31, 2013 of \$214 million which was partially offset by \$26 million of impairment losses.

Reclassification of financial instruments

The following table provides information regarding certain securities that we reclassified in prior reporting periods:

Financial instruments reclassified in prior periods

(Millions of Canadian dollars)	As at	
	October 31 2014	October 31 2013
	Total carrying value and fair value	Total carrying value and fair value
Financial assets – FVTPL reclassified to available-for-sale ⁽¹⁾		
CDOs	\$ 751	\$ 1,154
Mortgage-backed securities	44	59
	\$ 795	\$ 1,213

(1) On October 1, 2011 and November 1, 2011, we reclassified \$1,872 million and \$255 million, respectively, of certain CDOs and U.S. non-agency MBS from classified as at FVTPL to AFS.

Note 4 Securities (continued)

(Millions of Canadian dollars)	For the year ended					
	October 31, 2014		October 31, 2013		October 31, 2012	
	Change in fair value during the period (1)	Interest income/ (losses) recognized in net income during the period	Change in fair value during the period (1)	Interest income/ (losses) recognized in net income during the period	Change in fair value during the period (1)	Interest income/ (losses) recognized in net income during the period
FVTPL reclassified to available-for-sale						
CDOs	\$ (29)	\$ 58	\$ (5)	\$ 59	\$ 60	\$ 76
Mortgage-backed securities	(2)	4	–	8	2	8
	\$ (31)	\$ 62	\$ (5)	\$ 67	\$ 62	\$ 84

(1) This change represents the fair value gains or losses that would have been recognized in profit or loss had the assets not been reclassified.

Note 5 Loans

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	Canada	United States	Other International	Total	Canada	United States	Other International	Total
Retail (1)								
Residential mortgages	\$ 215,624	\$ 539	\$ 3,094	\$ 219,257	\$ 206,134	\$ 378	\$ 2,726	\$ 209,238
Personal	86,984	4,082	4,955	96,021	85,701	3,306	3,852	92,859
Credit cards	14,650	65	209	14,924	13,902	50	190	14,142
Small business (2)	4,785	–	–	4,785	4,388	–	–	4,388
	\$ 322,043	\$ 4,686	\$ 8,258	\$ 334,987	\$ 310,125	\$ 3,734	\$ 6,768	\$ 320,627
Wholesale (1)								
Business (3)	54,656	23,544	20,250	98,450	51,122	19,395	16,009	86,526
Bank (4)	413	30	758	1,201	823	28	469	1,320
Sovereign (5)	1,797	–	788	2,585	1,747	–	589	2,336
	\$ 56,866	\$ 23,574	\$ 21,796	\$ 102,236	\$ 53,692	\$ 19,423	\$ 17,067	\$ 90,182
Total loans	\$ 378,909	\$ 28,260	\$ 30,054	\$ 437,223	\$ 363,817	\$ 23,157	\$ 23,835	\$ 410,809
Allowance for loan losses	(1,466)	(100)	(428)	(1,994)	(1,482)	(105)	(372)	(1,959)
Total loans net of allowance for loan losses	\$ 377,443	\$ 28,160	\$ 29,626	\$ 435,229	\$ 362,335	\$ 23,052	\$ 23,463	\$ 408,850

(1) Geographic information is based on residence of borrower.

(2) Includes small business exposure managed on a pooled basis.

(3) Includes small business exposure managed on an individual client basis.

(4) Bank refers primarily to regulated deposit-taking institutions and securities firms.

(5) Sovereign refers to all central governments and agencies, central banks, as well as other qualifying public sector entities and multilateral development banks.

Loans maturity and rate sensitivity

(Millions of Canadian dollars)	As at October 31, 2014							
	Maturity term (1)				Rate sensitivity			
	Under 1 year (2)	1 to 5 years	Over 5 years	Total	Floating	Fixed Rate	Non-rate-sensitive	Total
Retail	\$ 184,647	\$ 140,785	\$ 9,555	\$ 334,987	\$ 121,451	\$ 208,956	\$ 4,580	\$ 334,987
Wholesale	83,263	15,526	3,447	102,236	43,808	57,284	1,144	102,236
Total loans	\$ 267,910	\$ 156,311	\$ 13,002	\$ 437,223	\$ 165,259	\$ 266,240	\$ 5,724	\$ 437,223
Allowance for loan losses				(1,994)				(1,994)
Total loans net of allowance for loan losses				\$ 435,229				\$ 435,229

(Millions of Canadian dollars)	As at October 31, 2013							
	Maturity term (1)				Rate sensitivity			
	Under 1 year (2)	1 to 5 years	Over 5 years	Total	Floating	Fixed Rate	Non-rate-sensitive	Total
Retail	\$ 175,673	\$ 133,501	\$ 11,453	\$ 320,627	\$ 125,836	\$ 189,628	\$ 5,163	\$ 320,627
Wholesale	73,050	12,010	5,122	90,182	47,061	41,611	1,510	90,182
Total loans	\$ 248,723	\$ 145,511	\$ 16,575	\$ 410,809	\$ 172,897	\$ 231,239	\$ 6,673	\$ 410,809
Allowance for loan losses				(1,959)				(1,959)
Total loans net of allowance for loan losses				\$ 408,850				\$ 408,850

(1) Generally, based on the earlier of contractual repricing or maturity date.

(2) Includes variable rate loans that can be repriced at the clients' discretion without penalty.

Allowance for credit losses

	For the year ended October 31, 2014						
	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries	Unwind of discount	Exchange rate changes/ other	Balance at end of period
(Millions of Canadian dollars)							
Retail							
Residential mortgages	\$ 151	\$ 95	\$ (30)	\$ 2	\$ (26)	\$ 48	\$ 240
Personal	583	444	(565)	106	(23)	(10)	535
Credit cards	385	353	(466)	114	–	(1)	385
Small business	61	44	(47)	9	(2)	(1)	64
	1,180	936	(1,108)	231	(51)	36	1,224
Wholesale							
Business	777	228	(221)	32	(36)	(12)	768
Bank (1)	2	–	–	–	–	–	2
	779	228	(221)	32	(36)	(12)	770
Total allowance for loan losses	1,959	1,164	(1,329)	263	(87)	24	1,994
Allowance for off-balance sheet and other items (2)	91	–	–	–	–	–	91
Total allowance for credit losses	\$ 2,050	\$ 1,164	\$ (1,329)	\$ 263	\$ (87)	\$ 24	\$ 2,085
Individually assessed	240	160	(188)	16	(24)	10	214
Collectively assessed	1,810	1,004	(1,141)	247	(63)	14	1,871
Total allowance for credit losses	\$ 2,050	\$ 1,164	\$ (1,329)	\$ 263	\$ (87)	\$ 24	\$ 2,085

	For the year ended October 31, 2013						
	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries	Unwind of discount	Exchange rate changes/ other	Balance at end of period
(Millions of Canadian dollars)							
Retail							
Residential mortgages	\$ 124	\$ 41	\$ (24)	\$ 2	\$ (24)	\$ 32	\$ 151
Personal	543	455	(498)	96	(17)	4	583
Credit cards	403	354	(466)	112	–	(18)	385
Small business	72	32	(35)	9	(2)	(15)	61
	1,142	882	(1,023)	219	(43)	3	1,180
Wholesale							
Business	852	355	(448)	51	(43)	10	777
Bank (1)	2	–	–	–	–	–	2
	854	355	(448)	51	(43)	10	779
Total allowance for loan losses	1,996	1,237	(1,471)	270	(86)	13	1,959
Allowance for off-balance sheet and other items (2)	91	–	–	–	–	–	91
Total allowance for credit losses	\$ 2,087	\$ 1,237	\$ (1,471)	\$ 270	\$ (86)	\$ 13	\$ 2,050
Individually assessed	298	287	(346)	31	(28)	(2)	240
Collectively assessed	1,789	950	(1,125)	239	(58)	15	1,810
Total allowance for credit losses	\$ 2,087	\$ 1,237	\$ (1,471)	\$ 270	\$ (86)	\$ 13	\$ 2,050

For the year ended October 31, 2012

(Millions of Canadian dollars)	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries	Unwind of discount	Exchange rate changes/ other	Balance at end of period
Retail							
Residential mortgages	\$ 112	\$ 64	\$ (32)	\$ 1	\$ (34)	\$ 13	\$ 124
Personal	557	437	(499)	83	(23)	(12)	543
Credit cards	415	403	(496)	102	–	(21)	403
Small business	75	43	(50)	8	(2)	(2)	72
	1,159	947	(1,077)	194	(59)	(22)	1,142
Wholesale							
Business	773	352	(288)	39	(51)	27	852
Bank (1)	33	–	(32)	–	–	1	2
	806	352	(320)	39	(51)	28	854
Total allowance for loan losses	1,965	1,299	(1,397)	233	(110)	6	1,996
Allowance for off-balance sheet and other items (2)	91	–	–	–	–	–	91
Total allowance for credit losses	\$ 2,056	\$ 1,299	\$ (1,397)	\$ 233	\$ (110)	\$ 6	\$ 2,087
Individually assessed	252	244	(202)	19	(26)	11	298
Collectively assessed	1,804	1,055	(1,195)	214	(84)	(5)	1,789
Total allowance for credit losses	\$ 2,056	\$ 1,299	\$ (1,397)	\$ 233	\$ (110)	\$ 6	\$ 2,087

(1) Bank refers primarily to regulated deposit-taking institutions and securities firms.

(2) The allowance for off-balance sheet and other items is reported separately in Other liabilities – Provisions.

Net interest income after provision for credit losses

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Net interest income	\$ 14,116	\$ 13,249	\$ 12,439
Provision for credit losses	1,164	1,237	1,299
Net interest income after provision for credit losses	\$ 12,952	\$ 12,012	\$ 11,140

Loans past due but not impaired

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	1 to 29 days	30 to 89 days	90 days and greater	Total	1 to 29 days	30 to 89 days	90 days and greater	Total
Retail	\$ 3,055	\$ 1,284	\$ 316	\$ 4,655	\$ 2,953	\$ 1,358	\$ 329	\$ 4,640
Wholesale	431	322	–	753	624	303	17	944
	\$ 3,486	\$ 1,606	\$ 316	\$ 5,408	\$ 3,577	\$ 1,661	\$ 346	\$ 5,584

Gross carrying value of loans individually determined to be impaired (1)

(Millions of Canadian dollars)	As at	
	October 31 2014	October 31 2013
Retail	\$ –	71
Wholesale		
Business	631	815
Bank (2)	2	3
	\$ 633	\$ 889

(1) Average balance of gross individually assessed impaired loans for the year ended October 31, 2014 was \$690 million (October 31, 2013 – \$887 million).

(2) Bank refers primarily to regulated deposit-taking institutions and securities firms.

Note 6 Derecognition of financial assets

We enter into transactions in which we transfer financial assets such as loans or securities to structured entities or other third parties. The transferred financial assets are derecognized from our Consolidated Balance Sheets when we transfer substantially all of the risks and rewards of ownership of the financial assets. When we are exposed to substantially all of the risks and rewards of the assets, or when we have neither transferred nor retained substantially all of the risks and rewards but retain control of the financial assets, we continue to recognize the financial assets on our Consolidated Balance Sheets and a liability is recognized for the cash proceeds received.

The majority of assets transferred under repurchase agreements, securities lending agreements, and in our Canadian residential mortgage securitization transactions do not qualify for derecognition.

Transferred financial assets not derecognized

Securitization of Canadian residential mortgage loans

We securitize insured Canadian residential mortgage loans through the creation of MBS pools under the National Housing Act MBS (NHA MBS) program. All loans securitized under the NHA MBS program are required to be insured by the Canadian Mortgage Housing Corporation (CMHC) or a third-party insurer. We require the borrower to pay the insurance for mortgages in which the loan amount is greater than 80% of the original appraised value of the property (loan-to-value (LTV) ratio). For residential mortgage loans securitized under this program with an LTV ratio less than 80%, we are required to insure the mortgages at our own expense. Under the NHA-MBS program, we are responsible for making all payments due on our issued MBS, regardless of whether we collect the necessary funds from the mortgagor or the insurer. When the borrower defaults on the mortgage payment, we submit a claim to the insurer if the amount recovered from the collection or foreclosure process is lower than the sum of the principal balance, accrued interest and collection costs on the outstanding loan. The insurance claim process is managed by the insurance provider in accordance with the insurer's policies and covers the entire unpaid loan balance plus generally up to 12 months of interest, selling costs and other eligible expenses. If an insurance claim is denied, a loss is recognized in Provision for credit losses in our Consolidated Statements of Income. The amount recorded as a loss is not significant to our Consolidated Financial Statements and no significant losses were incurred due to legal action arising from a mortgage default during 2014 and 2013.

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

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

Securities sold under repurchase agreements and securities loaned

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

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

(Millions of Canadian dollars)	As at								
	October 31, 2014				October 31, 2013				
	Canadian residential mortgage loans (1), (2)	Securities sold under repurchase agreements (3)	Securities loaned (3)	Total	Canadian residential mortgage loans (1) (2)	Securities sold under repurchase agreements (3)	Securities loaned (3)	Total	
Carrying amount of transferred assets that do not qualify derecognition	\$ 36,972	\$ 60,279	\$ 4,052	\$101,303	\$ 43,092	\$ 55,715	\$ 4,701	\$103,508	
Carrying amount of associated liabilities	36,941	60,279	4,052	101,272	43,019	55,715	4,701	103,435	
Fair value of transferred assets	\$ 37,010	\$ 60,279	\$ 4,052	\$101,341	\$ 42,921	\$ 55,715	\$ 4,701	\$103,337	
Fair value of associated liabilities	37,769	60,279	4,052	102,100	43,418	55,715	4,701	103,834	
Fair value of net position	\$ (759)	\$ -	\$ -	\$ (759)	\$ (497)	\$ -	\$ -	\$ (497)	

(1) Includes Canadian residential mortgages loans transferred primarily to Canada Housing Trust at the initial securitization and other permitted investments used for funding requirements after the initial securitization.

(2) CMB investors have legal recourse only to the transferred assets, and do not have recourse to our general assets.

(3) Does not include over-collateralization of assets pledged.

Note 7 Structured entities

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

Consolidated structured entities

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

Credit card securitization vehicle

We securitize a portion of our credit card receivables through a structured entity on a revolving basis. The entity is financed through the issuance of senior and subordinated notes collateralized by the underlying credit card receivables. The senior notes are issued to third-party investors and the subordinated notes are retained by us. The third-party investors have recourse only to the transferred assets.

We continue to service the credit card receivables sold and perform an administrative role for the entity. We also provide first-loss protection through our ownership of all the subordinated notes issued by the entity and our interest in the excess spread (residual net interest income after all trust expenses) which is subordinated to the obligations to the senior noteholders. Additionally, we may own some senior notes as investments or for market-making activities; we retain a cash reserve account of the entity from time to time; we provide subordinated loans to the entity to pay upfront expenses; and we act as counterparty to interest rate and cross currency swap agreements which hedge the entity's interest rate and currency risk exposure.

We consolidate the structured entity because we have decision making power over the timing and size of future issuances and other relevant activities which were predetermined by us at inception. We also obtain significant funding benefits and are exposed to the majority of the residual ownership risks through the credit support provided. As at October 31, 2014, \$8.5 billion of notes issued by our credit card securitization vehicle were included in Deposits on our Consolidated Balance Sheets (October 31, 2013 – \$7.0 billion).

Auto loan securitization vehicles

We obtained control of certain auto loan securitization vehicles as a result of the acquisition of the Canadian auto finance and deposit business of Ally Financial Inc. completed in 2013. These vehicles issued senior and subordinated notes collateralized by auto loan receivables originated and transferred to the entities by Ally Financial Inc. We continue to provide credit enhancement to the outstanding notes through overcollateralization, cash reserve accounts and our interest in the excess spread, which is subordinated to the noteholders. We also act as swap counterparty for one entity's interest rate swap agreements which hedge its interest rate risk exposure. The third-party investors have recourse only to the transferred assets.

We consolidate these vehicles because we have the decision making power over the relevant activities and are exposed to the majority of the residual ownership risks. As at October 31, 2014, there were \$407 million of deposits outstanding related to these structures (October 31, 2013 – \$944 million).

Collateralized commercial paper vehicle

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

We consolidate the structured entity because we have decision making power over the relevant activities, are the sole borrower from the structure, and are exposed to a majority of the residual ownership risks through the credit support provided. As at October 31, 2014, \$7.8 billion of commercial paper was included in Deposits on our Consolidated Balance Sheets (October 31, 2013 – \$3.9 billion).

Innovative capital vehicles

RBC Capital Trust was created to issue innovative capital instruments, the proceeds from which were used to purchase mortgages from RBC. We consolidate the trust as, through our roles as trustee, administrative agent and equity investor, we have the decision making power over the relevant activities of the trust and are exposed to variability from the performance of the underlying mortgages. Refer to Note 20 for further details on our innovative capital instruments.

Covered bonds

RBC Covered Bond Guarantor Limited Partnership (Guarantor LP) was created to issue guarantees of covered bonds that we issue. We periodically transfer mortgages to Guarantor LP to support funding activities and asset coverage requirements under our covered bond program. The covered bonds guaranteed by Guarantor LP are direct, unsecured and unconditional obligations of RBC; therefore, investors have a claim against the Bank which will continue if the covered bonds are not paid by the Bank and the mortgage assets in Guarantor LP are insufficient to satisfy the obligations owing on the covered bonds.

We consolidate Guarantor LP as, through our roles as trustee, administrative agent and equity investor, we have the decision making power over the relevant activities of Guarantor LP and are exposed to variability from the performance of the underlying mortgages. As at October 31, 2014, the total amount of mortgages transferred and outstanding was \$38.3 billion (October 31, 2013 – \$37.1 billion) and \$26.4 billion of covered bonds were recorded as Deposits on our Consolidated Balance Sheets (October 31, 2013 – \$21.3 billion).

ARS TOB programs

We sold ARS into Tender Option Bond (TOB) trusts, where each program consists of a credit enhancement (CE) trust and a TOB trust. Each ARS sold to the TOB program is supported by a letter of credit and liquidity facility issued by us, which requires us to extend funding if there are any losses on the ARS. The CE trust certificate is deposited into a TOB trust which provides the financing of the purchase of the underlying security through the issuance of floating-rate certificates to short-term investors and a residual certificate to a single third-party investor. Both the CE and the TOB trusts are structured entities. We are the remarketing agent for the floating-rate certificates and we provide liquidity facilities to each of the ARS TOB programs to purchase any floating-rate certificates that have been tendered but not successfully remarketed. We receive market-based fees for acting as the remarketing agent and providing the letters of credit and liquidity facilities.

We consolidate these ARS TOB programs as we have decision making power over the relevant activities of the CE trust and are exposed to the variability from the performance of the underlying ARS through our provision of the credit enhancement and the liquidity facility. As at October 31, 2014, \$67 million of ARS were included in AFS securities related to consolidated TOB structures (October 31, 2013 – \$683 million) and a corresponding \$69 million of floating rate certificates were included in Deposits on our Consolidated Balance Sheets (October 31, 2013 - \$744 million).

Municipal bond TOB programs

We utilize the TOB funding vehicle to finance taxable and tax-exempt municipal bonds within our Capital Markets segment. The structure of municipal bond TOB programs that we are involved with is similar to the structure of the ARS TOB programs described above. However, in certain municipal bond TOB programs, we also purchase residual certificates issued by these TOB vehicles which expose us to credit risk of the underlying bonds as well as interest rate risk of the structure.

We consolidate programs in which we are the holder of the residual certificate as we have decision making power over the relevant activities, including the selection of the underlying municipal bonds and the ability to terminate the structure, and are exposed to variability from the performance of the underlying municipal bonds. As at October 31, 2014, \$3.3 billion of municipal bonds were included in AFS Securities related to consolidated TOB structures (October 31, 2013 – \$3.7 billion) and a corresponding \$3.3 billion of floating rate certificates were included in Deposits on our Consolidated Balance Sheets (October 31, 2013 - \$3.7 billion).

Non-RBC managed Investment funds

We enter into certain fee-based equity derivative transactions where our investments in the reference funds are held by an intermediate limited partnership entity (intermediate entity) in which we hold a substantial majority of the equity interests. We consolidate the intermediate entity because we have the decision making power to direct all the activities of the entity and are exposed to a majority of the risks and rewards through our equity investments. As at October 31, 2014, \$277 million of Trading securities representing our investments in the reference funds were recorded on our Consolidated Balance Sheets (October 31, 2013 – \$300 million).

RBC managed investment funds

We are sponsors and investment managers of mutual and pooled funds which gives us the ability to direct the investment decisions of the funds. We consolidate those mutual and pooled funds in which our interests, which include direct investment in seed capital plus management or performance fees, indicate that we are acting as a principal. As at October 31, 2014, \$499 million of Trading securities held in the consolidated funds (October 31, 2013 – \$295 million) and \$189 million of Other liabilities representing the fund units held by third parties (October 31, 2013 – \$26 million) were recorded on our Consolidated Balance Sheets.

Unconsolidated structured entities

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

The following table presents the assets and liabilities recorded on our Consolidated Balance Sheets and our maximum exposure to loss related to our interests in unconsolidated structured entities. It also presents the size of each class of unconsolidated structured entity, as measured by the total assets of the entities in which RBC has an interest.

	As at October 31, 2014								
	Multi-seller conduits (1)	Structured finance	Non-RBC managed investment funds	RBC managed investment funds	Third-party securitization vehicles	Trading portfolio investments	Other	Total	
(Millions of Canadian dollars)									
On-balance sheet assets									
Securities	\$ 42	\$ –	\$ 3,343	\$ 151	\$ 1	\$ 3,345	\$ 718	\$ 7,600	
Loans	864	–	–	–	1,463	–	–	2,327	
Derivatives	–	3	–	–	–	–	8	11	
Other assets	–	913	1	220	–	–	286	1,420	
	\$ 906	\$ 916	\$ 3,344	\$ 371	\$ 1,464	\$ 3,345	\$ 1,012	\$ 11,358	
On-balance sheet liabilities									
Derivatives	\$ 85	\$ –	\$ –	\$ –	\$ 2	\$ –	\$ –	\$ 87	
Other liabilities	–	–	5	–	–	–	260	265	
	\$ 85	\$ –	\$ 5	\$ –	\$ 2	\$ –	\$ 260	\$ 352	
Maximum exposure to loss (2)	\$ 31,019	\$ 2,158	\$ 4,005	\$ 203	\$ 2,397	\$ 3,345	\$ 873	\$ 44,000	
Total assets of unconsolidated structured entities	\$ 30,428	\$ 13,118	\$ 621,938	\$ 272,852	\$ 27,095	\$ 875,438	\$ 64,963	\$ 1,905,832	

Note 7 Structured entities (continued)

As at October 31, 2013										
(Millions of Canadian dollars)	Multi-seller conduits (1)	Structured finance	Non-RBC managed investment funds	RBC managed investment funds	Third-party securitization vehicles	Trading portfolio investments	Other	Total		
On-balance sheet assets										
Securities	\$ 14	\$ –	\$ 2,629	\$ 143	\$ –	\$ 3,494	\$ 761	\$ 7,041		
Loans	896	–	–	–	1,454	–	3	2,353		
Derivatives	44	20	–	–	–	–	9	73		
Other assets	–	870	1	200	–	–	350	1,421		
	\$ 954	\$ 890	\$ 2,630	\$ 343	\$ 1,454	\$ 3,494	\$ 1,123	\$ 10,888		
On-balance sheet liabilities										
Deposits	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 903	\$ 903		
Derivatives	11	–	–	–	2	–	–	13		
Other liabilities	–	–	1	–	–	–	333	334		
	\$ 11	\$ –	\$ 1	\$ –	\$ 2	\$ –	\$ 1,236	\$ 1,250		
Maximum exposure to loss (2)	\$ 31,600	\$ 1,969	\$ 3,294	\$ 182	\$ 2,187	\$ 3,494	\$ 1,059	\$ 43,785		
Total assets of unconsolidated structured entities	\$ 31,075	\$ 22,733	\$ 810,866	\$ 238,348	\$ 40,183	\$ 736,756	\$ 58,102	\$ 1,938,063		

(1) Total assets of unconsolidated structured entities represent the maximum assets that may have to be purchased by the conduits under purchase commitments outstanding. Of the purchase commitments outstanding, the conduits have purchased financial assets totalling \$19.8 billion as at October 31, 2014 (October 31, 2013 - \$18.8 billion).

(2) The maximum exposure to loss resulting from our interests in these entities consists mostly of investments, loans, fair value of derivatives, liquidity and credit enhancement facilities. The maximum exposure to loss of the multi-seller conduits is higher than the on-balance sheet assets primarily by the notional amounts of the backstop liquidity and credit enhancement facilities. Refer to Note 26.

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

Multi-seller conduits

We administer five multi-seller asset-backed commercial paper (ABCP) conduit programs (multi-seller conduits) – two in Canada and three in the U.S. These conduits primarily purchase financial assets from clients and finance those purchases by issuing ABCP.

We do not maintain any ownership or retained interests in the multi-seller conduits that we administer and have no rights to, or control of, their assets. As the administrative agent, we earn a residual fee for providing services such as coordinating funding activities, transaction structuring, documentation, execution and monitoring of transactions. The ABCP issued by each multi-seller conduit is in the conduit's own name with recourse to the financial assets owned by each multi-seller conduit, and is non-recourse to us except through our participation in liquidity and/or credit enhancement facilities. We may purchase ABCP issued by our multi-seller conduits from time to time in our capacity as placement agent in order to facilitate the overall program liquidity.

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

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

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

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

We do not consolidate these multi-seller conduits as we do not have the decision-making power to direct the relevant activities noted above.

Structured finance

We purchased U.S. ARS from certain trusts (U.S. ARS Trusts) which fund their long-term investments in student loans by issuing short-term senior and subordinated notes. We are subject to losses on these U.S. ARS Trusts if defaults are experienced on the underlying student loans; however, in the majority of these structures, the principal and accrued interest on the student loans is guaranteed by U.S. government agencies. We act as auction agent for some of these entities but have no legal obligation to purchase the notes issued by these entities in the auction process. We do not consolidate these U.S. ARS Trusts as we do not have decision making power over the investing and financing activities of the Trusts, which are the activities that most significantly affect the performance of the Trusts.

Additionally, we invest in certain municipal bond TOB programs that we do not consolidate. These programs are similar to those consolidated municipal bond TOB programs described above; however, the residual certificates are held by third-parties and we do not provide credit enhancement of the underlying assets. We only provide liquidity facilities on the floating-rate certificates which may be drawn if certificates are tendered but not able to be remarketed. We do not have decision making power over the relevant activities of the programs; therefore, we do not consolidate these programs. The assets transferred into these programs are derecognized from our Consolidated Balance Sheets.

Non-RBC managed investment funds

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

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

RBC managed investment funds

We are sponsors and investment managers of mutual and pooled funds which gives us the ability to direct the investment decisions of the funds. We do not consolidate those mutual and pooled funds in which our interests indicate that we are exercising our decision making power as an agent of the other unit holders.

Third-party securitization vehicles

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

Trading portfolio investments

We also invest in the securities issued by structured entities, including government-sponsored entities, as part of our trading activities. We did not create and are not the sponsor of these entities and our involvement is limited to that of a passive investor. These investments do not carry a funding commitment; therefore our maximum exposure to loss is limited to our investment. We do not consolidate these entities as we do not have any decision making power over their activities.

Other

Other structured entities include credit investment products and tax credit funds.

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

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

Sponsored entities

We are a sponsor of certain structured entities in which we have interests but do not consolidate. In determining whether we are a sponsor of a structured entity, we consider both qualitative and quantitative factors, including the purpose and nature of the entity, our initial and continuing involvement and whether we hold subordinated interests in the entity. We are considered to be the sponsor of certain credit investment products, tax credit entities, RBC-managed mutual funds and a commercial mortgage securitization vehicle. During the year end October 31, 2014, we transferred commercial mortgages with a carrying amount of \$173 million (October 31, 2013 – \$nil) to a sponsored securitization vehicle in which we did not have an interest as at the end of the reporting period.

Financial support provided to structured entities

During the years ended October 31, 2014, 2013 and 2012, we have not provided any financial or non-financial support to any consolidated or unconsolidated structured entities when we were not contractually obligated to do so. Furthermore, we have no intention to provide such support in the future.

Note 8 Derivative financial instruments and hedging activities

Derivative instruments are categorized as either financial or non-financial derivatives. Financial derivatives are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, credit risk, and equity or equity index. Non-financial derivatives are contracts whose value is derived from a precious metal, commodity instrument or index. Notional amount of derivatives represents the contract amount used as a reference point to calculate payments. Notional amounts are generally not exchanged by counterparties, and do not reflect our exposure at default.

Financial derivatives*Forwards and futures*

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

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

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

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

Swaps

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

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

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

Options

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

Credit derivatives

Credit derivatives are over-the-counter contracts that transfer credit risk related to an underlying financial instrument (referenced asset) from one counterparty to another. Examples of credit derivatives are described below.

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

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

Total return swaps are contracts where one counterparty agrees to pay or receive from the other cash flows based on changes in the value of the referenced asset.

Other derivative products

Certain warrants and loan commitments that meet the definition of derivative are also included as derivative instruments.

Non-financial derivatives

We also transact in non-financial derivative products including precious metal and commodity derivative contracts in both the over-the-counter and exchange markets.

Derivatives issued for trading purposes

Most of our derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to clients to enable them to transfer, modify or reduce current or expected risks. Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenue based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives issued for other-than-trading purposes

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

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

Certain derivatives and cash instruments are specifically designated and qualify for hedge accounting. We apply hedge accounting to minimize volatility in earnings and capital caused by changes in interest rates or foreign exchange rates. Interest rate and currency fluctuations will either cause assets and liabilities to appreciate or depreciate in market value or cause variability in forecasted cash flows. When a hedging relationship is effective, gains, losses, revenue and expenses of the hedging instrument will offset the gains, losses, revenue and expenses of the hedged item. We largely assess and measure the effectiveness of a hedging relationship based on the change in fair value of the derivative hedging instrument relative to the change in fair value of the hedged item. When cash instruments are designated as hedges of currency risks, only changes in their value due to currency risk are included in the assessment and measurement of hedge effectiveness.

From time to time, we also enter into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered economically feasible to implement. In such circumstances, changes in fair value are reflected in Non-interest income.

After-tax unrealized gains relating to de-designated hedges of \$44 million (before-tax unrealized gains of \$60 million) included in Other components of equity as at October 31, 2014, are expected to be reclassified to Net interest income within the next 12 months.

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

Derivatives and non-derivative instruments

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	Designated as hedging instruments in hedging relationships				Designated as hedging instruments in hedging relationships			
	Cash flow hedges	Fair value hedges	Net investment hedges	Not designated in a hedging relationship	Cash flow hedges	Fair value hedges	Net investment hedges	Not designated in a hedging relationship
Assets								
Derivative instruments	\$ 504	\$ 1,392	\$ 87	\$ 85,419	\$ 555	\$ 1,461	\$ 32	\$ 72,774
Liabilities								
Derivative instruments	511	121	205	88,145	460	376	95	75,814
Non-derivative instruments	–	–	20,949	–	–	–	17,499	–

Results of hedge activities recorded in Net income and Other comprehensive income

(Millions of Canadian dollars)	October 31, 2014			For the year ended October 31, 2013			October 31, 2012		
	Net gains (losses) included in Non-interest income	Net gains (losses) included in Net interest income	After-tax unrealized gains (losses) included in OCI	Net gains (losses) included in Non-interest income	Net gains (losses) included in Net interest income	After-tax unrealized gains (losses) included in OCI	Net gains (losses) included in Non-interest income	Net gains (losses) included in Net interest income	After-tax unrealized gains (losses) included in OCI
Fair value hedges									
Gains (losses) on hedging instruments	\$ 216	n.a.	n.a.	\$ (551)	n.a.	n.a.	\$ (66)	n.a.	n.a.
(Losses) gains on hedged items attributable to the hedged risk	(329)	n.a.	n.a.	459	n.a.	n.a.	(15)	n.a.	n.a.
Ineffective portion (1)	(113)	n.a.	n.a.	(92)	n.a.	n.a.	(81)	n.a.	n.a.
Cash flow hedges									
Ineffective portion	(13)	n.a.	n.a.	(13)	n.a.	n.a.	(4)	n.a.	n.a.
Effective portion	n.a.	n.a.	(108)	n.a.	n.a.	(11)	n.a.	n.a.	32
Reclassified to income during the period (2)	n.a.	(38)	n.a.	n.a.	40	n.a.	n.a.	(35)	n.a.
Net investment hedges									
Ineffective portion	1	n.a.	n.a.	1	n.a.	n.a.	1	n.a.	n.a.
Foreign currency gains (losses)	n.a.	n.a.	2,743	n.a.	n.a.	1,402	n.a.	n.a.	114
(Losses) gains from hedges	n.a.	n.a.	(1,585)	n.a.	n.a.	(912)	n.a.	n.a.	–
	\$ (125)	\$ (38)	\$ 1,050	\$ (104)	\$ 40	\$ 479	\$ (84)	\$ (35)	\$ 146

(1) Includes losses of \$109 million (2013 – \$82 million; 2012 – \$76 million) that are excluded from the assessment of hedge effectiveness. These amounts are recorded in Non-interest income and are offset by other economic hedges.

(2) After-tax losses of \$28 million were reclassified from Other components of equity to income during the year ended October 31, 2014 (October 31, 2013 – gains of \$30 million; October 31, 2012 – losses of \$25 million).

n.a. not applicable

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

(Millions of Canadian dollars)	As at October 31, 2014					
	Term to maturity				Trading	Other than Trading
	Within 1 year	1 to 5 years	Over 5 years ⁽¹⁾	Total		
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 324,707	\$ 47,227	\$ –	\$ 371,934	\$ 371,934	\$ –
Swaps	1,626,852	3,301,834	1,852,349	6,781,035	6,579,940	201,095
Options purchased	98,085	101,493	23,930	223,508	223,508	–
Options written	97,259	104,445	32,258	233,962	233,962	–
Foreign exchange contracts						
Forward contracts	1,019,102	30,832	1,094	1,051,028	1,018,520	32,508
Cross currency swaps	7,371	15,102	20,415	42,888	42,156	732
Cross currency interest rate swaps	148,340	424,982	218,011	791,333	763,764	27,569
Options purchased	27,159	12,665	4,058	43,882	43,882	–
Options written	28,287	12,220	4,475	44,982	44,982	–
Credit derivatives ⁽²⁾	1,702	16,188	8,124	26,014	24,707	1,307
Other contracts ⁽³⁾	62,652	58,982	20,685	142,319	140,168	2,151
Exchange-traded contracts						
Interest rate contracts						
Futures – long positions	14,429	16,614	47	31,090	31,090	–
Futures – short positions	52,345	19,373	1	71,719	71,719	–
Options purchased	21,303	5,229	–	26,532	26,532	–
Options written	4,322	–	–	4,322	4,322	–
Foreign exchange contracts						
Futures – long positions	960	–	–	960	960	–
Futures – short positions	1,167	–	–	1,167	1,167	–
Other contracts ⁽³⁾	132,399	33,755	420	166,574	166,571	3
	\$ 3,668,441	\$ 4,200,941	\$ 2,185,867	\$10,055,249	\$ 9,789,884	\$ 265,365

(Millions of Canadian dollars)	As at October 31, 2013					
	Term to maturity				Trading	Other than Trading
	Within 1 year	1 to 5 years	Over 5 years ⁽¹⁾	Total		
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 364,918	\$ 93,570	\$ –	\$ 458,488	\$ 458,488	\$ –
Swaps	1,218,382	2,718,313	1,369,003	5,305,698	5,095,519	210,179
Options purchased	59,272	83,085	27,178	169,535	169,337	198
Options written	59,921	81,222	33,000	174,143	174,112	31
Foreign exchange contracts						
Forward contracts	887,156	30,991	1,079	919,226	858,547	60,679
Cross currency swaps	6,054	14,420	13,796	34,270	34,270	–
Cross currency interest rate swaps	131,805	308,927	144,779	585,511	555,841	29,670
Options purchased	19,217	10,917	4,732	34,866	34,866	–
Options written	19,737	11,729	4,682	36,148	36,148	–
Credit derivatives ⁽²⁾	1,650	11,498	8,961	22,109	20,704	1,405
Other contracts ⁽³⁾	57,593	42,101	20,647	120,341	120,336	5
Exchange-traded contracts						
Interest rate contracts						
Futures – long positions	10,332	6,809	–	17,141	17,103	38
Futures – short positions	20,727	13,952	–	34,679	34,604	75
Options purchased	13,831	3,557	–	17,388	17,388	–
Options written	11,371	1,277	–	12,648	12,648	–
Foreign exchange contracts						
Futures – long positions	6,092	9,646	102	15,840	15,840	–
Futures – short positions	11,381	12,617	–	23,998	23,998	–
Other contracts ⁽³⁾	140,471	29,786	387	170,644	170,641	3
	\$ 3,039,910	\$ 3,484,417	\$ 1,628,346	\$ 8,152,673	\$ 7,850,390	\$ 302,283

(1) Includes contracts maturing in over 10 years with a notional value of \$668 billion (October 31, 2013 – \$501 billion). The related gross positive replacement cost is \$39 billion (October 31, 2013 – \$25 billion).

(2) Credit derivatives include credit default swaps, total return swaps and credit default baskets, including credit derivatives given guarantee treatment for OSFI regulatory reporting purposes. Credit derivatives with a notional value of \$1.3 billion (October 31, 2013 – \$1.4 billion) are economic hedges. Trading credit derivatives comprise protection purchased of \$13.3 billion (October 31, 2013 – \$11.0 billion) and protection sold of \$11.4 billion (October 31, 2013 – \$9.7 billion).

(3) Other contracts include precious metal, commodity, stable value and equity derivative contracts.

The following tables indicate the periods when the cash flows are expected to occur and when they are expected to affect profit or loss for cash flow hedges:

(Millions of Canadian dollars)	As at October 31, 2014					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
Cash inflows from assets	\$ 268	\$ 287	\$ 243	\$ 325	\$ 85	\$ 1,208
Cash outflows from liabilities	(540)	(446)	(384)	(269)	(87)	(1,726)
Net cash flows	\$ (272)	\$ (159)	\$ (141)	\$ 56	\$ (2)	\$ (518)

(Millions of Canadian dollars)	As at October 31, 2013					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
Cash inflows from assets	\$ 267	\$ 232	\$ 218	\$ 314	\$ 321	\$ 1,352
Cash outflows from liabilities	(533)	(531)	(495)	(602)	(122)	(2,283)
Net cash flows	\$ (266)	\$ (299)	\$ (277)	\$ (288)	\$ 199	\$ (931)

Fair value of derivative instruments

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	Average fair value for year ended (1)		Year end fair value		Average fair value for year ended (1)		Year end fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Held or issued for trading purposes								
Interest rate contracts								
Forward rate agreements	\$ 258	\$ 206	\$ 347	\$ 357	\$ 505	\$ 347	\$ 348	\$ 262
Swaps	78,884	75,195	95,960	91,386	80,490	78,156	73,164	69,897
Options purchased	3,671	–	4,123	–	2,792	–	3,253	–
Options written	–	4,509	–	5,101	–	3,619	–	3,966
	82,813	79,910	100,430	96,844	83,787	82,122	76,765	74,125
Foreign exchange contracts								
Forward contracts	8,416	8,741	12,155	11,752	9,229	9,381	6,774	7,629
Cross currency swaps	1,732	1,155	1,788	1,506	1,505	1,053	1,432	944
Cross currency interest rate swaps	10,433	14,261	16,034	19,165	9,692	16,333	9,308	12,058
Options purchased	1,645	–	2,621	–	1,900	–	2,234	–
Options written	–	1,349	–	2,222	–	1,704	–	1,744
	22,226	25,506	32,598	34,645	22,326	28,471	19,748	22,375
Credit derivatives (2)	225	281	254	301	229	254	225	276
Other contracts (3)	7,052	10,662	8,525	12,373	5,203	8,275	6,635	10,085
	112,316	116,359	141,807	144,163	111,545	119,122	103,373	106,861
Held or issued for other than trading purposes								
Interest rate contracts								
Swaps			2,098	626			2,106	787
Options purchased			–	–			1	–
Options written			–	–			–	1
			2,098	626			2,107	788
Foreign exchange contracts								
Forward contracts			326	259			194	194
Cross currency swaps			–	45			–	–
Cross currency interest rate swaps			885	754			843	339
Options purchased			–	–			–	–
Options written			–	–			–	–
			1,211	1,058			1,037	533
Credit derivatives (2)			–	41			–	56
Other contracts (3)			112	112			–	–
			3,421	1,837			3,144	1,377
Total gross fair values before netting			145,228	146,000			106,517	108,238
Valuation adjustments determined on a pooled basis (4)			(758)	(36)			(505)	n.a.
Impact of netting agreements that qualify for balance sheet offset			(57,068)	(56,982)			(31,190)	(31,493)
			87,402	88,982			74,822	76,745
Impact of netting agreements that do not qualify for balance sheet offset (5)			(60,546)	(60,546)			(51,653)	(51,653)
			\$ 26,856	\$ 28,436			\$ 23,169	\$ 25,092

(1) Average fair value amounts are calculated based on monthly balances.

(2) Credit derivatives include credit default swaps, total return swaps and credit default baskets, including credit derivatives given guarantee treatment for OSFI regulatory reporting purposes.

(3) Other contracts include precious metal, commodity, stable value and equity derivative contracts.

(4) IFRS 13 requirements are applied on a prospective basis and the standard permits an exception, through an accounting policy choice, to measure the fair value of a portfolio of financial instruments on a net open risk position basis when certain criteria are met. We have elected to use this policy choice to determine the fair value of certain portfolios of financial instruments, primarily derivatives, on a net exposure to market or credit risk. The valuation adjustment amounts in this table include those determined on a portfolio basis.

(5) Additional impact of offsetting credit exposures on contracts that do not qualify for balance sheet offset.

n.a. not applicable

Fair value of derivative instruments by term to maturity

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Derivative assets	\$ 19,485	\$ 29,838	\$ 38,079	\$ 87,402	\$ 13,695	\$ 27,340	\$ 33,787	\$ 74,822
Derivative liabilities	19,980	32,640	36,362	88,982	15,672	29,104	31,969	76,745

Derivative-related credit risk

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

We subject our derivative-related credit risk to the same credit approval, limit and monitoring standards that we use for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a standard exception reporting process. We utilize a single internal rating system for all credit risk exposure. In most cases, these internal ratings approximate the external risk ratings of public rating agencies.

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

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

Replacement cost represents the total fair value of all outstanding contracts in a gain position after factoring in the master netting agreements. The credit equivalent amount is defined as the sum of the replacement cost plus an add-on amount for potential future credit exposure as defined by OSFI. The risk-weighted amount is determined by applying the standard OSFI defined measures of counterparty risk to the credit equivalent amount.

Derivative-related credit risk

(Millions of Canadian dollars)	As at					
	October 31, 2014 (1)			October 31, 2013 (1)		
	Replacement cost	Credit equivalent amount (2)	Risk-weighted equivalent (3)	Replacement cost	Credit equivalent amount (2)	Risk-weighted equivalent (3)
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 183	\$ 276	\$ 70	\$ 94	\$ 278	\$ 48
Swaps	12,455	22,308	4,660	13,133	20,914	5,465
Options purchased	355	665	386	399	634	363
Foreign exchange contracts						
Forward contracts	5,731	11,049	3,201	2,463	6,891	2,232
Swaps	3,190	6,576	2,516	2,500	6,262	1,946
Options purchased	225	443	201	259	444	221
Credit derivatives (4)	178	2,053	1,136	106	1,480	719
Other contracts (5)	1,780	6,670	3,996	1,864	6,838	3,519
Exchange traded contracts	3,530	10,358	207	2,867	11,186	224
	\$ 27,627	\$ 60,398	\$ 16,373	\$ 23,685	\$ 54,927	\$ 14,737

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

(2) The total credit equivalent amount includes collateral applied of \$11.4 billion (October 31, 2013 – \$9.6 billion).

(3) The risk-weighted balances are calculated in accordance with Basel III.

(4) Credit derivatives include credit default swaps, total return swaps and credit default baskets, and exclude credit derivatives issued for other-than-trading purposes related to bought protection.

(5) Other contracts include precious metal, commodity, stable value, and equity derivatives contracts.

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

(Millions of Canadian dollars)	As at October 31, 2014								
	Risk rating (1)				Total	Counterparty type (2)			
	AAA, AA	A	BBB	BB or lower		Banks	OECD governments	Other	Total
Gross positive replacement cost	\$ 25,765	\$ 98,566	\$ 13,995	\$ 6,915	\$ 145,241	\$ 52,986	12,427	\$ 79,828	\$ 145,241
Impact of master netting agreements	19,279	88,911	8,154	1,270	117,614	44,372	7,743	65,499	117,614
Replacement cost (after netting agreements)	\$ 6,486	\$ 9,655	\$ 5,841	\$ 5,645	\$ 27,627	\$ 8,614	\$ 4,684	\$ 14,329	\$ 27,627

(Millions of Canadian dollars)	As at October 31, 2013								
	Risk rating (1)				Total	Counterparty type (2)			
	AAA, AA	A	BBB	BB or lower		Banks	OECD governments	Other	Total
Gross positive replacement cost	\$ 20,610	\$ 68,471	\$ 11,604	\$ 5,844	\$ 106,529	\$ 48,730	\$ 10,634	\$ 47,165	\$ 106,529
Impact of master netting agreements	14,345	60,780	6,829	890	82,844	37,070	6,734	39,040	82,844
Replacement cost (after netting agreements)	\$ 6,265	\$ 7,691	\$ 4,775	\$ 4,954	\$ 23,685	\$ 11,660	\$ 3,900	\$ 8,125	\$ 23,685

(1) Our internal risk ratings for major counterparty types approximate those of public ratings agencies. Ratings of AAA, AA, A and BBB represent investment grade ratings and ratings of BB or lower represent non-investment grade ratings.

(2) Counterparty type is defined in accordance with the capital adequacy requirements of OSFI.

Note 9 Premises and equipment

(Millions of Canadian dollars)	Land	Buildings	Computer equipment	Furniture, fixtures and other equipment	Leasehold improvements	Work in process	Total
Cost							
Balance at October 31, 2013	\$ 134	\$ 1,358	\$ 1,516	\$ 1,434	\$ 2,040	\$ 113	\$ 6,595
Additions (1)	–	14	108	74	54	279	529
Acquisitions through business combinations	–	–	–	–	–	–	–
Transfers from work in process	1	17	43	34	90	(185)	–
Disposals	(2)	(1)	(412)	(303)	(67)	(1)	(786)
Foreign exchange translation	2	8	27	14	34	2	87
Other	2	(49)	(4)	(5)	41	–	(15)
Balance at October 31, 2014	\$ 137	\$ 1,347	\$ 1,278	\$ 1,248	\$ 2,192	\$ 208	\$ 6,410
Accumulated depreciation							
Balance at October 31, 2013	\$ –	\$ 499	\$ 1,155	\$ 1,015	\$ 1,290	\$ –	\$ 3,959
Depreciation	–	50	181	101	167	–	499
Disposals	–	(1)	(412)	(282)	(61)	–	(756)
Foreign exchange translation	–	3	21	9	20	–	53
Other	–	(52)	(20)	(4)	47	–	(29)
Balance at October 31, 2014	\$ –	\$ 499	\$ 925	\$ 839	\$ 1,463	\$ –	\$ 3,726
Net carrying amount at October 31, 2014	\$ 137	\$ 848	\$ 353	\$ 409	\$ 729	\$ 208	\$ 2,684

Note 9 Premises and equipment (continued)

(Millions of Canadian dollars)	Land	Buildings	Computer equipment	Furniture, fixtures and other equipment	Leasehold improvements	Work in process	Total
Cost							
Balance at October 31, 2012	\$ 128	\$ 1,274	\$ 1,430	\$ 1,369	\$ 1,864	\$ 199	\$ 6,264
Additions (1)	3	12	107	40	40	234	436
Acquisitions through business combinations	–	–	1	21	–	–	22
Transfers from work in process	2	44	31	52	155	(284)	–
Disposals	(1)	(3)	(59)	(56)	(6)	(3)	(128)
Foreign exchange translation	2	6	13	7	16	2	46
Other	–	25	(7)	1	(29)	(35)	(45)
Balance at October 31, 2013	\$ 134	\$ 1,358	\$ 1,516	\$ 1,434	\$ 2,040	\$ 113	\$ 6,595
Accumulated depreciation							
Balance at October 31, 2012	\$ –	\$ 455	\$ 1,048	\$ 950	\$ 1,147	\$ –	\$ 3,600
Depreciation	–	42	171	92	140	–	445
Disposals	–	(2)	(56)	(48)	(5)	–	(111)
Foreign exchange translation	–	2	9	4	8	–	23
Other	–	2	(17)	17	–	–	2
Balance at October 31, 2013	\$ –	\$ 499	\$ 1,155	\$ 1,015	\$ 1,290	\$ –	\$ 3,959
Net carrying amount at October 31, 2013	\$ 134	\$ 859	\$ 361	\$ 419	\$ 750	\$ 113	\$ 2,636

(1) At October 31, 2014, we had total contractual commitments of \$216 million to acquire premises and equipment (October 31, 2013 – \$122 million; October 31, 2012 – \$222 million).

Note 10 Goodwill and other intangible assets
Goodwill

The following table presents changes in the carrying amount of goodwill by CGU for the years ended October 31, 2014 and 2013.

(Millions of Canadian dollars)	Canadian Banking	Caribbean Banking	Canadian Wealth Management	Global Asset Management	U.S. Wealth Management	International Wealth Management	Insurance	Investor & Treasury Services	Capital Markets	Total
At October 31, 2012	\$ 1,929	\$ 1,446	\$ 543	\$ 1,889	\$ 517	\$ 127	\$ 118	\$ 52	\$ 837	\$ 7,458
Acquisitions	598	–	–	–	–	–	–	96	11	705
Currency translations	–	58	5	48	22	5	–	1	30	169
At October 31, 2013	\$ 2,527	\$ 1,504	\$ 548	\$ 1,937	\$ 539	\$ 132	\$ 118	\$ 149	\$ 878	\$ 8,332
Dispositions	–	(51)	–	–	–	–	–	–	–	(51)
Currency translations	–	140	10	105	43	9	–	–	59	366
At October 31, 2014	\$ 2,527	\$ 1,593	\$ 558	\$ 2,042	\$ 582	\$ 141	\$ 118	\$ 149	\$ 937	\$ 8,647

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

In our 2014 annual impairment test, the recoverable amounts of our Caribbean Banking and International Wealth Management CGUs were based on fair value less costs of disposal (2013 annual impairment test – Caribbean Banking CGU). In 2014 and 2013, the recoverable amounts of all other CGUs tested were based on value in use.

Value in use

We calculate value in use using a five-year discounted cash flow method. Future cash flows are based on financial plans agreed by management for a five-year period, estimated based on forecast results, business initiatives, capital required to support future cash flows and returns to shareholders. Key drivers of future cash flows include net interest margins and average interest-earning assets. The values assigned to these drivers over the forecast period are based on past experience, external and internal economic forecasts, and management's expectations of the impact of economic conditions on our financial results. Beyond the initial five-year period, cash flows are assumed to increase at a constant rate using a nominal long-term growth rate (terminal growth rate). Terminal growth rates are based on the current market assessment of gross domestic product and inflation for the countries within which the CGU operates. The discount rates used to determine the present value of each CGU's projected future cash flows are based on the bank-wide cost of capital, adjusted for the risks to which each CGU is exposed. CGU-specific risks include: country risk, business/operational risk, geographic risk (including political risk, devaluation risk, and government regulation), currency risk, and price risk (including product pricing risk and inflation).

The estimation of value in use involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. These

key inputs and assumptions used to determine the recoverable amount of each CGU using value in use were tested for sensitivity by applying a reasonably possible change to those assumptions. The post-tax discount rates were increased by 1%, terminal growth rates were decreased by 1%, and future cash flows were reduced by 10%. As at August 1, 2014, no change in an individual key input or assumption, as described, would result in a CGU's carrying amount exceeding its recoverable amount based on value in use.

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

	As at			
	August 1, 2014		August 1, 2013	
	Discount rate (1)	Terminal growth rate	Discount rate (1)	Terminal growth rate
Group of cash generating units				
Canadian Banking	10.6%	3.0%	10.6%	3.0%
Caribbean Banking	13.0	4.2	12.9	4.2
Canadian Wealth Management	11.9	3.0	11.9	3.0
Global Asset Management	11.6	3.0	11.8	3.0
U.S. Wealth Management	15.7	3.0	15.9	3.0
International Wealth Management	10.3	3.0	11.8	3.0
Insurance	10.1	3.0	10.2	3.0
Investor & Treasury Services	12.8	3.0	12.5	3.0
Capital Markets	15.9	3.0	15.6	3.0

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

Fair value less costs of disposal – Caribbean Banking

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

The estimation of fair value less costs of disposal involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. These key inputs and assumptions were tested for sensitivity by applying a reasonably possible change to those assumptions. The post-tax discount rates were increased by 1%, terminal growth rates were decreased by 1%, and future cash flows were reduced by 10%. As at August 1, 2014, the recoverable amount, based on fair value less costs of disposal, was 120% of its carrying amount. No reasonably possible change in an individual key input or assumption, as described, would result in a CGU's carrying amount exceeding its recoverable amount based on fair value less costs of disposal.

Fair value less costs of disposal – International Wealth Management

For our International Wealth Management CGU, we calculated fair value less costs of disposal using a multiples-based approach. Each business within the CGU was valued using either a Price-to-assets-under-administration (P/AUA) or Price-to-revenue (P/Rev) multiple, as appropriate, to reflect the considerations of a prospective third-party buyer. For the applicable businesses, we applied a P/AUA multiple of 2.5% to AUA as at August 1, 2014 and a P/Rev multiple of 2.5x to revenue for the 12 months preceding the testing date. These multiples represent our best estimate from a range of reasonably possible inputs based on precedent transactions for comparable businesses. This fair value measurement is categorized as level 3 in the fair value hierarchy as certain significant inputs are not observable.

The estimation of fair value less costs of disposal involves significant judgment in the determination of the appropriate valuation approach and inputs and is most sensitive to changes in the P/AUA and P/Rev multiples. If the multiples used were each reduced to the low end of the range of reasonably possible inputs considered, the recoverable amount of the CGU based on fair value less costs of disposal would still exceed its carrying amount.

Other intangible assets

The following table presents the carrying amount of our other intangible assets:

	As at October 31, 2014					
	Internally generated software	Other software	Core deposit intangibles	Customer list and relationships	In process software	Total
(Millions of Canadian dollars)						
Gross carrying amount						
Balance at October 31, 2013	\$ 2,554	\$ 1,128	\$ 157	\$ 1,509	\$ 711	\$ 6,059
Additions	48	57	–	–	545	650
Transfers	750	22	–	–	(772)	–
Dispositions	(4)	(2)	(3)	–	–	(9)
Impairment losses	–	–	–	(8)	–	(8)
Currency translations	32	15	14	48	8	117
Other changes	22	(34)	–	(38)	(5)	(55)
Balance at October 31, 2014	\$ 3,402	\$ 1,186	\$ 168	\$ 1,511	\$ 487	\$ 6,754
Accumulated amortization						
Balance at October 31, 2013	\$ (1,815)	\$ (811)	\$ (117)	\$ (539)	\$ –	\$ (3,282)
Amortization charge for the year	(460)	(60)	(22)	(124)	–	(666)
Dispositions	4	1	–	–	–	5
Impairment losses	–	–	–	–	–	–
Currency translations	(22)	(13)	(12)	(22)	–	(69)
Other changes	–	(5)	–	38	–	33
Balance at October 31, 2014	\$ (2,293)	\$ (888)	\$ (151)	\$ (647)	\$ –	\$ (3,979)
Net balance, at October 31, 2014	\$ 1,109	\$ 298	\$ 17	\$ 864	\$ 487	\$ 2,775

(Millions of Canadian dollars)	As at October 31, 2013					
	Internally generated software	Other software	Core deposit intangibles	Customer list and relationships	In process software	Total
Gross carrying amount						
Balance at October 31, 2012	\$ 2,206	\$ 976	\$ 150	\$ 1,365	\$ 650	\$ 5,347
Additions	30	63	–	120	581	794
Transfers	400	122	–	–	(522)	–
Dispositions	(2)	(2)	–	–	–	(4)
Impairment losses	(7)	(4)	–	–	(2)	(13)
Currency translations	15	9	7	25	2	58
Other changes	(88)	(36)	–	(1)	2	(123)
Balance at October 31, 2013	\$ 2,554	\$ 1,128	\$ 157	\$ 1,509	\$ 711	\$ 6,059
Accumulated amortization						
Balance at October 31, 2012	\$ (1,442)	\$ (730)	\$ (90)	\$ (413)	\$ –	\$ (2,675)
Amortization charge for the year	(361)	(66)	(22)	(117)	–	(566)
Dispositions	1	1	–	–	–	2
Impairment losses	3	–	–	–	–	3
Currency translations	(9)	(7)	(5)	(11)	–	(32)
Other changes	(7)	(9)	–	2	–	(14)
Balance at October 31, 2013	\$ (1,815)	\$ (811)	\$ (117)	\$ (539)	\$ –	\$ (3,282)
Net balance, at October 31, 2013	\$ 739	\$ 317	\$ 40	\$ 970	\$ 711	\$ 2,777

Note 11 Significant dispositions
Personal & Commercial Banking
Caribbean Banking

On June 27, 2014, we completed the sale of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively, RBC Jamaica) to Sagicor Group Jamaica Limited, as announced on January 29, 2014. As a result of the transaction, we recorded a total loss on disposal of \$100 million (before and after-tax), including a loss of \$60 million in the first quarter and \$40 million primarily relating to foreign currency translation losses reclassified from Other components of equity in the third quarter of 2014. The loss on disposal has been included in Non-Interest expense – Other.

U.S. Banking

On March 2, 2012, we completed the sale of our U.S. regional retail banking operations to the PNC Financial Services Group, Inc. (PNC) announced on June 20, 2011. As a result of the transaction, we recorded a total loss on sale of \$294 million after-tax, including an estimated loss of \$304 million in 2011 and a reduction to loss on sale of \$10 million in 2012. The loss on disposal was recorded in Net loss from discontinued operations.

The results of the operations sold to PNC and certain of our U.S. regional banking assets have been presented in our Consolidated Financial Statements as discontinued operations for all periods presented. Select financial information is set out in the tables below.

Total discontinued operations – Statements of Income

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Net interest income	\$ –	\$ –	\$ 200
Non-interest income	–	–	68
Total Revenue	–	–	268
Provision for credit losses	–	–	117
Non-interest expense	–	–	258
Net loss before income taxes	–	–	(107)
Net loss	–	–	(61)
Gain on sale	–	–	10
Net loss from discontinued operations	–	–	–
U.S. regional retail banking operations sold to PNC	–	–	(36)
Other U.S. regional banking assets	–	–	(15)
Total	\$ –	\$ –	\$ (51)

Total discontinued operations – Statements of Cash Flows

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Net cash used in operating activities	\$ –	\$ –	\$ (6,727)
Net cash from investing activities	–	–	4,054
Net cash used in financing activities	–	–	(24)
Effect of exchange rate changes on cash and due from banks	–	–	(19)
Net change in cash and due from banks	–	–	(2,716)
Cash and due from banks at beginning of year	–	–	2,716
Cash and due from banks at end of year	\$ –	\$ –	\$ –

Note 12 Joint ventures and associated companies

The following table summarizes the carrying value of our interests in joint ventures and associated companies accounted for under the equity method as well as our share of the income of those entities.

(Millions of Canadian dollars)	Joint ventures			Associated companies		
	As at and for the year ended					
	October 31 2014	October 31 2013	October 31 2012	October 31 2014	October 31 2013	October 31 2012
Carrying amount	\$ 180	\$ 135	\$ 452	\$ 115	\$ 112	\$ 125
Share of:						
Net income (1)	131	133	139	31	26	24
Other comprehensive income	5	5	25	–	–	–
	\$ 136	\$ 138	\$ 164	\$ 31	\$ 26	\$ 24

(1) Net income for the year ended October 31, 2012 reflects our share of the income of RBC Dexia up to July 27, 2012, the date we completed our acquisition of the remaining 50% interest that we did not already own.

We do not have any joint ventures or associated companies that are individually material to our financial results. Previously, our principal joint ventures included a 50% interest in RBC Dexia. In the third quarter of 2012, we completed the acquisition of RBC Dexia and as a result, it is no longer a joint venture.

During the year ended October 31, 2014, we recognized no impairment losses in respect of our interests in associated companies (October 31, 2013 – \$20 million; October 31, 2012 – none) and \$62 million of gains on sales of associated companies (October 31, 2013 – none; October 31, 2012 – none). During the year ended October 31, 2012, we recognized an impairment loss of \$168 million related to our interest in our previous joint venture, RBC Dexia.

Note 13 Other assets

(Millions of Canadian dollars)	As at	
	October 31 2014	October 31 2013
Cash collateral and margin deposits	\$ 12,481	\$ 11,689
Accounts receivable and prepaids	3,773	3,563
Receivable from brokers, dealers and clients	2,354	1,474
Insurance-related assets		
Collateral loans	1,121	1,273
Policy loans	113	132
Reinsurance assets	512	422
Other	400	355
Deferred income tax asset	2,382	2,141
Accrued interest receivable	1,554	1,789
Taxes receivable	1,620	1,252
Precious metals	223	173
Other	4,162	2,375
	\$ 30,695	\$ 26,638

Note 14 Deposits

The following table details our deposit liabilities:

(Millions of Canadian dollars)	As at							
	October 31, 2014				October 31, 2013			
	Demand (1)	Notice (2)	Term (3)	Total	Demand (1)	Notice (2)	Term (3)	Total
Personal	\$ 120,444	\$ 17,793	\$ 70,980	\$ 209,217	\$ 111,566	\$ 15,732	\$ 67,645	\$ 194,943
Business and government	162,988	3,038	220,634	386,660	146,985	1,209	206,399	354,593
Bank	5,771	11	12,441	18,223	5,734	11	7,798	13,543
	\$ 289,203	\$ 20,842	\$ 304,055	\$ 614,100	\$ 264,285	\$ 16,952	\$ 281,842	\$ 563,079
Non-interest-bearing (4)								
Canada	\$ 65,774	\$ 3,478	\$ -	\$ 69,252	\$ 60,201	\$ 3,282	\$ -	\$ 63,483
United States	1,777	15	-	1,792	1,444	7	-	1,451
Europe (5)	3,314	1	-	3,315	3,810	1	-	3,811
Other International	5,057	279	-	5,336	4,684	315	-	4,999
Interest-bearing (4)								
Canada	175,172	10,895	241,902	427,969	158,743	9,604	223,409	391,756
United States	3,497	2,144	45,359	51,000	3,488	202	42,863	46,553
Europe (5)	31,118	418	9,282	40,818	28,985	45	7,992	37,022
Other International	3,494	3,612	7,512	14,618	2,930	3,496	7,578	14,004
	\$ 289,203	\$ 20,842	\$ 304,055	\$ 614,100	\$ 264,285	\$ 16,952	\$ 281,842	\$ 563,079

(1) Deposits payable on demand include all deposits for which we do not have the right to notice of withdrawal. These deposits include both savings and chequing accounts.

(2) Deposits payable after notice include all deposits for which we can legally require notice of withdrawal. These deposits are primarily savings accounts.

(3) Term deposits include deposits payable on a fixed date. These deposits include term deposits, guaranteed investment certificates and similar instruments. As at October 31, 2014, the balance of term deposits also include senior deposit notes we have issued to provide long-term funding of \$150 billion (October 31, 2013 – \$134 billion).

(4) The geographical splits of the deposits are based on the point of origin of the deposits and where the revenue is recognized. As at October 31, 2014, deposits denominated in U.S. dollars, Sterling, Euro and other foreign currencies were \$183 billion, \$11 billion, \$23 billion and \$22 billion, respectively (October 31, 2013 – \$152 billion, \$8 billion, \$20 billion and \$21 billion).

(5) Europe includes the United Kingdom, Switzerland and the Channel Islands.

The following table presents the contractual maturities of our term deposit liabilities.

(Millions of Canadian dollars)	As at	
	October 31 2014	October 31 2013
Within 1 year:		
less than 3 months	\$ 57,840	\$ 43,426
3 to 6 months	32,880	34,532
6 to 12 months	50,300	33,450
1 to 2 years	54,354	62,443
2 to 3 years	31,559	34,519
3 to 4 years	28,946	22,358
4 to 5 years	24,673	25,596
Over 5 years	23,503	25,518
	\$ 304,055	\$ 281,842
Aggregate amount of term deposits in denominations of \$100,000 or more	\$ 270,000	\$ 247,000

The following table presents the average deposit balances and average rates of interest.

(Millions of Canadian dollars, except for percentage amounts)	For the year ended					
	October 31, 2014		October 31, 2013		October 31, 2012	
	Average balances	Average rates	Average balances	Average rates	Average balances	Average rates
Canada	\$ 477,316	1.13%	\$ 435,842	1.20%	\$ 403,610	1.33%
United States	52,058	0.30	44,512	0.38	41,617	0.50
Europe (1)	43,429	0.21	38,791	0.27	33,394	0.62
Other International	20,299	1.03	18,571	0.95	11,979	2.20
	\$ 593,102	0.99%	\$ 537,716	1.06%	\$ 490,600	1.23%

(1) Europe includes the United Kingdom, Switzerland and the Channel Islands.

Risk management

Insurance risk is the risk of fluctuations in the timing, frequency or severity of insured events, relative to our expectations at the time of underwriting. We do not have a high degree of concentration risk due to our geographic diversity and business mix. Concentration risk is not a major concern for the life and health insurance business as it does not have a material level of regional specific characteristics like those exhibited in the property and casualty insurance business. Exposure to concentrations of insurance risks for the property and casualty business is primarily mitigated through a robust Insurance Risk Framework including prudent underwriting practices and diversification by product offerings and geographical areas. Reinsurance is also used for all insurance businesses to lower our risk profile and limit the liability on a single claim. We manage underwriting and pricing risk through the use of underwriting guidelines which detail the class, nature and type of business that may be accepted, pricing policies by product line and centralized control of policy wordings. The risk that claims are handled or paid inappropriately is mitigated using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures, ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance

In the ordinary course of business, our insurance operations reinsure risks to other insurance and reinsurance companies in order to lower our risk profile, limit loss exposure to large risks, and provide additional capacity for future growth. These ceding reinsurance arrangements do not relieve our insurance subsidiaries from their direct obligations to the insureds. We evaluate the financial condition of the reinsurers and monitor our concentrations of credit risks to minimize our exposure to losses from reinsurer insolvency. Reinsurance amounts (ceded premiums) included in Non-interest income are shown in the table below.

Net premiums and claims

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Gross premiums	\$ 4,962	\$ 4,785	\$ 4,739
Premiums ceded to reinsurers	(1,220)	(1,111)	(1,034)
Net premiums	\$ 3,742	\$ 3,674	\$ 3,705
Gross claims and benefits	\$ 3,692	\$ 2,768	\$ 3,472
Reinsurers' share of claims and benefits	(498)	(442)	(417)
Net claims	\$ 3,194	\$ 2,326	\$ 3,055

Insurance claims and policy benefit liabilities

All actuarial assumptions are set in conjunction with Canadian Institute of Actuaries Standards of Practice and OSFI requirements. The assumptions that have the greatest effect on the measurement of insurance liabilities, the processes used to determine them and the assumptions used as at October 31, 2014 are as follows:

Life insurance

Mortality and morbidity – Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect our own experience. Morbidity assumptions are made with respect to the rates of claim incidence and claim termination for health insurance policies and are based on a combination of industry and our own experience.

Future investment yield – Assumptions are based on the current yield rate, a reinvestment assumption and an allowance for future credit losses for each line of business, and are developed using interest rate scenario testing, including prescribed scenarios for determination of minimum liabilities as set out in the actuarial standards.

Policyholder behaviour – Under certain policies, the policyholder has a contractual right to change benefits and premiums, as well as convert policies to permanent forms of insurance. All policyholders have the right to terminate their policies through lapse. Lapses represent the termination of policies due to non-payment of premiums. Lapse assumptions are primarily based on our recent experience adjusted for emerging industry experience where applicable.

Non-life insurance

Assumptions related to unpaid claims concern the patterns of development of claims from inception to ultimate settlement. The reserving assumptions, based on historical paid/incurred development patterns adjusted for changes in products, claims processes and legislative trends, result in a collective loss ratio when compared with earned premium.

The portfolio assumptions that have the greatest effect on the net liabilities included in our Consolidated Balance Sheets are listed below:

Significant insurance assumptions

	As at	
	October 31 2014	October 31 2013
Life Insurance		
Canadian Insurance		
Mortality rates (1)	0.12%	0.12%
Morbidity rates (2)	1.82	1.99
Reinvestment yield (3)	3.15	3.15
Lapse rates (4)	0.50	0.50
International Insurance		
Mortality rates (1)	0.43	0.46
Reinvestment yield (3)	2.19	2.29
Non-life Insurance		
Expected loss ratio (5), (6)	60.16	62.14

(1) Average annual death rate for the largest portfolio of insured policies.

(2) Average net settlement rate for the individual and group disability insurance portfolio.

(3) Ultimate reinvestment rate of the insurance operations.

(4) Ultimate policy termination rate (lapse rate) for the largest permanent life insurance portfolio that relies on higher termination rate to maintain its profitability (lapse-supported policies).

(5) Ratio of incurred claim losses and claim expenses to Net premiums of the property and casualty business, measuring the profitability or loss experience on our total book of business.

(6) Amounts have been revised from those previously reported.

The following table summarizes our gross and reinsurers' share of insurance liabilities at the end of the year.

Insurance claims and policy benefit liabilities

(Millions of Canadian dollars)	As at					
	October 31, 2014			October 31, 2013		
	Gross	Ceded	Net	Gross	Ceded	Net
Life insurance policyholder liabilities						
Life, health and annuity	\$ 7,555	\$ 390	\$ 7,165	\$ 7,029	\$ 300	\$ 6,729
Investment contracts (1)	5	–	5	1	–	1
	\$ 7,560	\$ 390	\$ 7,170	\$ 7,030	\$ 300	\$ 6,730
Non-life insurance policyholder liabilities						
Unearned premium provision (1)	\$ 419	\$ –	\$ 419	\$ 410	\$ –	\$ 410
Unpaid claims provision	1,010	29	981	1,005	21	984
	\$ 1,429	\$ 29	\$ 1,400	\$ 1,415	\$ 21	\$ 1,394
	\$ 8,989	\$ 419	\$ 8,570	\$ 8,445	\$ 321	\$ 8,124

(1) Insurance claims and policy benefit liabilities include Investment contracts and Unearned premium provision, both of which are reported in Other liabilities on the Consolidated Balance Sheets.

Reconciliation of life insurance policyholder liabilities

(Millions of Canadian dollars)	October 31, 2014			October 31, 2013		
	Gross	Ceded	Net	Gross	Ceded	Net
Balances, beginning of the year	\$ 7,030	\$ 300	\$ 6,730	\$ 6,989	\$ 206	\$ 6,783
New and in-force policies	621	90	531	(67)	94	(161)
Changes in assumption and methodology	(95)	–	(95)	108	–	108
Net change in investment contracts	4	–	4	–	–	–
Balances, end of the year	\$ 7,560	\$ 390	\$ 7,170	\$ 7,030	\$ 300	\$ 6,730

Reconciliation of non-life insurance policyholder liabilities

(Millions of Canadian dollars)	October 31, 2014			October 31, 2013		
	Gross	Ceded	Net	Gross	Ceded	Net
Balances, beginning of the year	\$ 1,415	\$ 21	\$ 1,394	\$ 1,354	\$ 27	\$ 1,327
Changes in unearned premiums provision						
Written premiums	942	91	851	980	32	948
Less: Net premiums earned	(933)	(91)	(842)	(990)	(32)	(958)
Changes in unpaid claims provision and adjustment expenses						
Incurred claims	595	38	557	652	33	619
Less: Claims paid	(590)	(30)	(560)	(581)	(39)	(542)
Balances, end of the year	\$ 1,429	\$ 29	\$ 1,400	\$ 1,415	\$ 21	\$ 1,394

The net increase in Insurance claims and policy benefit liabilities over the prior year was comprised of the net increase in life and health, reinsurance and property and casualty liabilities attributable to business growth and market movements on assets backing life and health liabilities. During the year, we reviewed all key actuarial methods and assumptions which are used in determining the policy benefit liabilities resulting in a \$102 million net decrease to insurance liabilities comprised of: (i) a decrease of \$37 million for assumption updates due to net favourable interest rate and equity market changes; (ii) a decrease of \$36 million due to liability impacts of significant business projects; (iii) a decrease of \$21 million due to valuation system and data changes; and (iv) a decrease of \$8 million arising from insurance risk related assumption updates largely due to mortality, morbidity, maintenance, property and casualty margin for adverse deviation and expense assumptions. Changes in Insurance claims and policy benefit liabilities are included in Insurance policyholder benefits, claims and acquisition expenses in our Consolidated Statements of Income in the period in which the estimates changed.

Sensitivity analysis

The following table presents the sensitivity of the level of insurance policyholder liabilities disclosed in this note to reasonably possible changes in the actuarial assumptions used to calculate them. The percentage change in variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net income. The disclosure is not intended to explain the impact of a percentage change in the insurance assets and liabilities disclosed above. The analyses are performed where a single assumption is changed while holding other assumptions constant, which is unlikely to occur in practice.

Sensitivity

(Millions of Canadian dollars, except for percentage amounts)	Change in variable	Net income impact for year ended	
		October 31 2014	October 31 2013
Increase in market interest rates (1)	1%	\$ 1	\$ 27
Decrease in market interest rates (1)	1	(3)	(35)
Increase in equity market values	10	6	8
Decrease in equity market values	10	(3)	(2)
Increase in maintenance expenses	5	(25)	(30)
Life Insurance			
Adverse change in annuitant mortality rates	2	(72)	(53)
Adverse change in assurance mortality rates	2	(47)	(46)
Adverse change in morbidity rates	5	(156)	(191)
Adverse change in lapse	10	(192)	(170)
Non-life Insurance			
Increase in expected loss ratio	5	(10)	(11)

(1) Sensitivities for market interest rates have been calculated by increasing or decreasing 100 basis points at all points on the yield curve, with changes persisting for one year. In the prior year we also included a corresponding impact of 15 basis points on the ultimate reinvestment rate that is no longer required due to actuarial changes in the determination of the ultimate reinvestment rate implemented in the current period.

Note 16 Segregated funds

We offer certain individual variable insurance contracts that allow policyholders to invest in segregated funds. The investment returns on these funds are passed directly to the policyholders. Amounts invested are at the policyholders' risk, except where the policyholders have selected options providing maturity and death benefit guarantees. A liability for the guarantees is recorded in Insurance claims and policy benefit liabilities.

Segregated funds net assets are recorded at fair value. All of our segregated funds net assets are categorized as Level 1 in the fair value hierarchy. The fair value of the segregated funds liabilities is equal to the fair value of the segregated funds net assets. Segregated funds net assets and segregated funds liabilities are presented on separate lines on the Consolidated Balance Sheets. The following tables present the composition of net assets and the changes in net assets for the year.

Segregated funds net assets

(Millions of Canadian dollars)	As at	
	October 31 2014	October 31 2013
Cash	\$ 1	\$ 6
Investment in mutual funds	675	509
Other liabilities, net	(1)	(2)
	\$ 675	\$ 513

Changes in net assets

(Millions of Canadian dollars)	For the year ended	
	October 31 2014	October 31 2013
Net assets, beginning of year	\$ 513	\$ 383
Additions (deductions):		
Deposits from policyholders	239	188
Net realized and unrealized gains	52	45
Interest and dividend	19	13
Payment to policyholders	(132)	(105)
Management and administrative fees	(16)	(11)
Net assets, end of year	\$ 675	\$ 513

Plan characteristics

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

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

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

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

We measure our benefit obligations and pension assets as at October 31 each year. All plans are valued using the projected unit-credit method. We fund our registered defined benefit pension plans in accordance with actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations. For our primary pension plan, the most recent funding actuarial valuation was completed on January 1, 2014, and the next valuation will be completed on January 1, 2015.

For the year ended October 31, 2014, total company contributions to our pension plans (defined benefit and defined contribution plans) and other post-employment benefit plans were \$537 million and \$63 million (October 31, 2013 – \$389 million and \$55 million), respectively. For 2015, total contributions to our pension plans and other post-employment benefit plans are expected to be \$363 million and \$70 million, respectively.

Risks

By their design, the defined benefit pension plans expose the Bank to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plans and migrating to defined contribution pension plans, the volatility associated with future service costs will reduce over time.

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

	As at			
	October 31, 2014		October 31, 2013	
	Defined benefit pension plans	Other post-employment benefit plans	Defined benefit pension plans	Other post-employment benefit plans
<i>(Millions of Canadian dollars)</i>				
Canada				
Fair value of plan assets	\$ 10,419	\$ 4	\$ 9,454	\$ 3
Present value of defined benefit obligation	10,767	1,754	9,519	1,636
Net deficit	\$ (348)	\$ (1,750)	\$ (65)	\$ (1,633)
International				
Fair value of plan assets	\$ 932	\$ –	\$ 812	\$ –
Present value of defined benefit obligation	1,038	78	894	86
Net deficit	\$ (106)	\$ (78)	\$ (82)	\$ (86)
Total				
Fair value of plan assets	\$ 11,351	\$ 4	\$ 10,266	\$ 3
Present value of defined benefit obligation	11,805	1,832	10,413	1,722
Total net deficit	\$ (454)	\$ (1,828)	\$ (147)	\$ (1,719)
Amounts recognized in our Consolidated Balance Sheets				
Employee benefit assets	\$ 138	\$ –	\$ 161	\$ –
Employee benefit liabilities	(592)	(1,828)	(308)	(1,719)
Total net deficit	\$ (454)	\$ (1,828)	\$ (147)	\$ (1,719)

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

(Millions of Canadian dollars)	As at or for the year ended			
	October 31, 2014		October 31, 2013	
	Defined benefit pension plans ⁽¹⁾	Other post-employment benefit plans	Defined benefit pension plans ⁽¹⁾	Other post-employment benefit plans
Change in fair value of plan assets				
Opening fair value of plan assets	\$ 10,266	\$ 3	\$ 9,348	\$ 1
Interest income	472	–	408	–
Remeasurements				
Return on plan assets (excluding interest income)	647	–	601	–
Change in foreign currency exchange rate	60	–	32	–
Contributions – Employer	400	63	272	55
Contributions – Plan participant	52	13	52	12
Payments	(456)	(75)	(430)	(65)
Payments – amount paid of any settlements	(78)	–	(4)	–
Other	(12)	–	(13)	–
Closing fair value of plan assets	\$ 11,351	\$ 4	\$ 10,266	\$ 3
Change in present value of benefit obligation				
Opening benefit obligation	\$ 10,413	\$ 1,722	\$ 9,857	\$ 1,682
Current service costs	315	31	298	28
Past service costs	97	–	(2)	(2)
Interest expense	486	80	438	73
Remeasurements				
Actuarial (gains) losses from demographic assumptions	76	(58)	382	51
Actuarial (gains) losses from financial assumptions	830	119	(265)	(65)
Actuarial losses from experience adjustments	6	7	49	4
Change in foreign currency exchange rate	67	6	38	4
Contributions – Plan participant	52	13	52	12
Payments	(456)	(75)	(430)	(65)
Payments – amount paid of any settlements	(78)	–	(4)	–
Business combinations/Disposals	–	(11)	–	–
Other	(3)	(2)	–	–
Closing benefit obligation	\$ 11,805	\$ 1,832	\$ 10,413	\$ 1,722
Unfunded obligation	\$ 28	\$ 1,670	\$ 27	\$ 1,557
Wholly or partly funded obligation	11,777	162	10,386	165
Total benefit obligation	\$ 11,805	\$ 1,832	\$ 10,413	\$ 1,722

(1) For pension plans with funding deficits, the benefit obligations and fair value of plan assets as at October 31, 2014 were \$10,180 million and \$9,587 million, respectively (October 31, 2013 – \$8,996 million and \$8,688 million, respectively).

Pension and other post-employment benefit expense

The following table presents the composition of our pension and other post-employment benefit expense.

(Millions of Canadian dollars)	For the year ended						
	October 31 2014	Pension plans			Other post-employment benefit plans		
		October 31 2013	October 31 2012	October 31 2014	October 31 2013	October 31 2012	
Current service costs	\$ 315	\$ 298	\$ 221	\$ 31	\$ 28	\$ 25	
Past service costs	97	(2)	1	–	(2)	(4)	
Net interest expense (income)	14	30	(4)	80	73	79	
Remeasurements of other long term benefits	–	–	–	9	(5)	2	
Administrative expense	13	11	11	–	–	–	
Defined benefit pension expense	\$ 439	\$ 337	\$ 229	\$ 120	\$ 94	\$ 102	
Defined contribution pension expense	137	117	91	–	–	–	
Total benefit expense	\$ 576	\$ 454	\$ 320	\$ 120	\$ 94	\$ 102	

Total service costs for the year ended October 31, 2014 totalled \$307 million (October 31, 2013 – \$284 million; October 31, 2012 – \$212 million) for pension plans in Canada and \$105 million (October 31, 2013 – \$12 million; October 31, 2012 – \$10 million) for International plans. Net interest expense for the year ended October 31, 2014 totalled \$10 million (October 31, 2013 – \$26 million; October 31, 2012 – net interest income of \$8 million) for pension plans in Canada and \$4 million (October 31, 2013 – \$4 million; October 31, 2012 – \$4 million) for International plans.

Remeasurements of employee benefit plans

The following table presents the composition of our remeasurements recorded in OCI.

(Millions of Canadian dollars)	For the year ended					
	Defined benefit pension plans			Other post-employment benefit plans		
	October 31 2014	October 31 2013	October 31 2012	October 31 2014	October 31 2013	October 31 2012
Actuarial (gains) losses:						
Changes in demographic assumptions	\$ 76	\$ 382	\$ (1)	\$ (54)	\$ 53	\$ (65)
Changes in financial assumptions	830	(265)	1,159	113	(62)	190
Experience adjustments	6	49	8	–	4	(2)
Return on plan assets (excluding interest based on discount rate)	(647)	(601)	(231)	–	–	–
	\$ 265	\$ (435)	\$ 935	\$ 59	\$ (5)	\$ 123

Total remeasurements recorded in OCI for the year ended October 31, 2014 were loss of \$238 million (October 31, 2013 – gain of \$424 million; October 31, 2012 – loss of \$871 million) for pension plans in Canada and loss of \$27 million (October 31, 2013 – gain of \$11 million; October 31, 2012 – loss of \$64 million) for International plans.

Investment policy and strategies

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

- (i) the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- (ii) the member demographics, including expectations for normal retirements, terminations, and deaths;
- (iii) the financial position of the pension plans;
- (iv) the diversification benefits obtained by the inclusion of multiple asset classes; and
- (v) expected asset returns, including asset and liability volatility and correlations.

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

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

During the year, investment changes and risk factor diversification continued in support of our efforts to reduce variability in the funded status. As a result, equity risk was reduced through redeployment of equity investments into a diverse mix of quality alternative investments with low correlation to equity markets, including investments in hedge funds, infrastructure, private equity and real estate. In addition, an increasing allocation to debt securities is used to reduce asset liability duration mismatch and hence variability of the plan's funded status due to interest rate changes. Longer maturity debt securities, given their price sensitivity to movements in interest rates, are considered to be a good economic hedge to risk associated with the plan's liabilities, which are discounted using predominately long maturity bond interest rates as inputs. We expect to continue to move towards a higher weighting of debt securities as market conditions permit, to further reduce risk of variability in the funded status.

Asset allocation of defined benefit pension plans ⁽¹⁾

(Millions of Canadian dollars, except percentages)	As at					
	October 31, 2014			October 31, 2013		
	Fair value	Percentage of total plan assets	Quoted in active market ⁽²⁾	Fair value	Percentage of total plan assets	Quoted in active market ⁽²⁾
Equity securities						
Domestic	\$ 1,623	14%	100%	\$ 1,354	13%	100%
Foreign	2,530	22	100	2,625	25	100
Debt securities						
Domestic government bonds	2,199	19	–	2,377	23	–
Foreign government bonds	530	5	–	495	5	–
Corporate and other bonds	2,097	19	–	1,601	16	–
Alternative investments and other	2,372	21	11	1,814	18	15
	\$ 11,351	100%	39%	\$ 10,266	100%	41%

(1) The asset allocation is based on the underlying investments held directly and indirectly through the funds as this is how we manage our investment policy and strategies.

(2) If our assessment of quoted in an active market was based on the direct investments, 45% of our total plan assets would be classified as quoted in an active market (October 31, 2013 – 48%).

The allocation to equity securities of our pension plan in Canada is 38% (October 31, 2013 – 40%) and that of our International plan is 18% (October 31, 2013 – 24%). The allocation to debt securities of our pension plan in Canada is 41% (October 31, 2013 – 42%) and that of our International plan is 58% (October 31, 2013 – 62%). The allocation to alternative investments and other in our pension plan in Canada is 21% (October 31, 2013 – 18%) and that of our International plan is 24% (October 31, 2013 – 14%).

As at October 31, 2014, the plan assets include 1 million (October 31, 2013 – 1 million) of our common shares with a fair value of \$107 million (October 31, 2013 – \$84 million) and \$39 million (October 31, 2013 – \$13 million) of our debt securities. For the year ended October 31, 2014, dividends received on our common shares held in the plan assets were \$4 million (October 31, 2013 – \$3 million).

Maturity profile

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

(Millions of Canadian dollars, except participants and years)	As at		
	October 31, 2014		
	Canada	International	Total
Number of plan participants	75,250	10,084	85,334
Actual benefit payments 2014	\$ 405	\$ 51	\$ 456
Benefits expected to be paid 2015	488	40	528
Benefits expected to be paid 2016	512	41	553
Benefits expected to be paid 2017	537	39	576
Benefits expected to be paid 2018	560	40	600
Benefits expected to be paid 2019	581	43	624
Benefits expected to be paid 2020-2024	3,192	263	3,455
Weighted average duration of defined benefit payments	15.2 years	19.8 years	15.5 years

Significant assumptions

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

Discount rate

For the Canadian pension and other post-employment benefit plans, all future expected benefit payments at each measurement date are discounted at spot rates from a derived Aa corporate bond yield curve. The derived curve is based on observed rates for Aa corporate bonds with maturities less than six years and a projected Aa corporate curve based on spreads between observed Aa corporate bonds and Aa provincial bonds for periods greater than six years. For the International pension and other post-employment benefit plans, all future expected benefit payments at each measurement date are discounted at spot rates from an Aa corporate bond yield curve. Spot rates beyond 30 years are set to equal the 30-year spot rate. The discount rate is the equivalent single rate that produces the same discounted value as that determined using the entire discount curve. This valuation methodology does not rely on assumptions regarding reinvestment returns.

Rate of increase in future compensation

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

Healthcare cost trend rates

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

	As at					
	Defined benefit pension plans			Other post-employment benefit plans		
	October 31 2014	October 31 2013	October 31 2012	October 31 2014	October 31 2013	October 31 2012
Weighted average assumptions to determine benefit obligation						
Discount rate	4.10%	4.60%	4.40%	4.20%	4.70%	4.50%
Rate of increase in future compensation	3.30%	3.30%	3.30%	n.a.	n.a.	n.a.
Healthcare cost trend rates						
– Medical (1)	n.a.	n.a.	n.a.	3.50%	3.80%	3.90%
– Dental	n.a.	n.a.	n.a.	4.00%	4.00%	4.00%

(1) For our other post-employment benefit plans, the assumed medical healthcare cost trend rates used to measure the expected cost of benefits were 3.50% for the next year decreasing to an ultimate rate of 2.50% in 2030.

n.a. not applicable

Note 17 Employee benefits - Pension and other post-employment benefits (continued)

Mortality assumptions

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

(In years)	As at							
	October 31, 2014				October 31, 2013			
	Life expectancy at 65 for a member currently at				Life expectancy at 65 for a member currently at			
	Age 65		Age 45		Age 65		Age 45	
	Male	Female	Male	Female	Male	Female	Male	Female
Country								
Canada	23.0	23.5	24.0	24.5	22.4	23.2	23.5	24.1
United States	20.6	22.9	21.1	23.4	20.5	22.8	21.0	23.3
United Kingdom	23.9	25.2	26.1	27.6	23.8	25.1	26.0	27.5

Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations for defined benefit pension and other post-employment benefit plans. The increase (decrease) in obligation in the following table has been determined assuming all other assumptions are held constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated. The following table presents the sensitivity analysis of key assumptions for 2014:

(Millions of Canadian dollars)	Defined benefit pension plans – Increase (decrease) in obligation	Other post-employment benefit plans – Increase (decrease) in obligation
Discount rate		
Impact of 50bps increase in discount rate	\$ (864)	\$ (125)
Impact of 50bps decrease in discount rate	960	140
Rate of increase in future compensation		
Impact of 50bps increase in rate of increase in future compensation	65	n.a.
Impact of 50bps decrease in rate of increase in future compensation	(66)	n.a.
Mortality rate		
Impact of an increase in longevity by one additional year	265	46
Healthcare cost trend rate		
Impact of 100bps increase in healthcare cost trend rate	n.a.	131
Impact of 100bps decrease in healthcare cost trend rate	n.a.	(112)

n.a. not applicable

Note 18 Other liabilities

(Millions of Canadian dollars)	As at	
	October 31 2014	October 31 2013
Cash collateral	\$ 10,500	\$ 8,855
Accounts payable and accrued expenses	2,386	2,917
Payroll and related compensation	6,582	5,911
Payable to brokers, dealers and clients	2,063	1,821
Negotiable instruments	2,416	2,172
Accrued interest payable	1,748	1,796
Deferred income	1,937	1,783
Taxes payable	1,691	1,480
Precious metals certificates	572	677
Dividends payable	1,127	1,027
Insurance related liabilities	617	566
Deferred income taxes	204	170
Provisions	500	271
Other	4,966	5,501
	\$ 37,309	\$ 34,947

Note 19 Subordinated debentures

The debentures are unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors. All redemptions, cancellations and exchanges of subordinated debentures are subject to the consent and approval of OSFI. All subordinated debentures are redeemable at our option. The amounts presented below include the impact of fair value hedging for interest rate risk and are net of our holdings in these securities which have not been cancelled and are still outstanding.

Maturity	Earliest par value redemption date	Interest rate	Denominated in foreign currency (millions)	As at	
				October 31 2014	October 31 2013
November 14, 2014 ⁽¹⁾		10.00%		\$ 200	\$ 217
November 4, 2018	November 4, 2013 ⁽²⁾	5.45% ⁽³⁾		–	1,000
June 15, 2020	June 15, 2015	4.35% ⁽⁴⁾		1,491	1,508
November 2, 2020	November 2, 2015	3.18% ⁽⁵⁾		1,483	1,488
June 8, 2023		9.30%		110	110
July 17, 2024 ⁽⁶⁾	July 17, 2019	3.04% ⁽⁷⁾		1,002	–
December 6, 2024	December 6, 2019	2.99% ⁽⁸⁾		1,992	1,947
September 29, 2026 ⁽⁶⁾	September 29, 2021	3.45% ⁽⁹⁾		1,009	–
November 1, 2027	November 1, 2022	4.75%	TT\$300	53	49
June 26, 2037	June 26, 2017	2.86%	JPY 10,000	106	109
October 1, 2083	Any interest payment date	⁽¹⁰⁾		224	224
June 29, 2085	Any interest payment date	⁽¹¹⁾	US\$174	196	181
June 18, 2103	June 18, 2009 ⁽¹²⁾	5.95% ⁽¹³⁾		–	615
				\$ 7,866	\$ 7,448
Deferred financing costs				(7)	(5)
				\$ 7,859	\$ 7,443

The terms and conditions of the debentures are as follows:

- (1) All \$200 million outstanding 10.00% subordinated debentures matured on November 14, 2014.
- (2) All \$1 billion outstanding subordinated debentures were redeemed on November 4, 2013 for 100% of their principal amount plus accrued interest to the redemption date.
- (3) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
- (4) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.41% above the 90-day Bankers' Acceptance rate.
- (5) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.21% above the 90-day Bankers' Acceptance rate.
- (6) The notes include non-viability contingency capital (NVCC) provisions, necessary for the notes to qualify as Tier 2 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each note is convertible into common shares pursuant to an automatic conversion formula with a multiplier of 1.5 and a conversion price based on the greater of: (i) a floor price of \$5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of shares issued is determined by dividing the par value of the note (including accrued and unpaid interest on such note) by the conversion price and then times the multiplier.
- (7) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.08% above the 90-day Bankers' Acceptance rate.
- (8) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.10% above the 90-day Bankers' Acceptance rate.
- (9) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.12% above the 90-day Bankers' Acceptance rate.
- (10) Interest at a rate of 40 basis points above the 30-day Bankers' Acceptance rate.
- (11) Interest at a rate of 25 basis points above the U.S. dollar 3-month LIMEAN. In the event of a reduction of the annual dividend we declare on our common shares, the interest payable on the debentures is reduced pro rata to the dividend reduction and the interest reduction is payable with the proceeds from the sale of newly issued common shares.
- (12) All \$600 million outstanding subordinated debentures were redeemed on June 18, 2014 for 100% of their principal amount plus accrued interest to the redemption date.
- (13) Interest at stated rate until earliest par value redemption date and every 5 years thereafter at a rate of 1.72% above the 5-year Government of Canada yield.

Maturity schedule

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

(Millions of Canadian dollars)	October 31 2014
Within 1 year	\$ 200
5 to 10 years	4,086
Thereafter	3,580
	\$ 7,866

Note 20 Trust capital securities

We issued innovative capital instruments, RBC Trust Capital Securities (RBC TruCS), through two structured entities: RBC Capital Trust (Trust) and RBC Capital Trust II (Trust II). Trust II was wound up in 2014 after the redemption of the RBC TruCS Series 2013 (RBC TruCS 2013) on December 31, 2013.

The Trust has issued non-voting RBC TruCS Series 2010, 2011, 2015 and 2008-1 (RBC TruCS 2010, 2011, 2015 and 2008-1). RBC TruCS 2010 and 2011 were redeemed in 2010 and 2011, respectively.

The holders of RBC TruCS 2015 and 2008-1 do not have any conversion rights or any other redemption rights. As a result, upon consolidation of the Trust, RBC TruCS 2015 and 2008-1 are classified as Non-controlling interests. Holders of RBC TruCS 2015 and 2008-1 are eligible to receive semi-annual non-cumulative fixed cash distributions until December 31, 2015 and June 30, 2018, respectively, and a floating-rate cash distribution thereafter.

No cash distributions will be payable by the Trust on RBC TruCS if we fail to declare regular dividends (i) on our preferred shares, or (ii) on our common shares if no preferred shares are then outstanding. In this case, the net distributable funds of the Trust will be distributed to us as holders of residual interest in the Trust. Should the Trust fail to pay the semi-annual distributions in full, we will not declare dividends of any kind on any of our preferred or common shares for a specified period of time.

The table below presents the significant terms and conditions of RBC TruCS.

Significant terms and conditions of RBC Trust Capital Securities

(Millions of Canadian dollars, except for percentage amounts)	Issuance date	Distribution dates	Annual yield	Earliest redemption date	Conversion date	As at	
				At the option of the issuer	At the option of the holder	October 31 2014 Principal amount	October 31 2013 Principal amount
RBC Capital Trust (1),(2),(3),(4),(5),(6),(7)							
Included in Non-controlling interests							
1,200,000 Trust Capital Securities							
– Series 2015	October 28, 2005	June 30, December 31	4.87% (8)	December 31, 2010	n.a.	\$ 1,200	\$ 1,200
500,000 Trust Capital Securities							
– Series 2008-1	April 28, 2008	June 30, December 31	6.82% (8)	June 30, 2013	n.a.	500	500
RBC Capital Trust II (2),(3),(4),(5),(6),(7),(9)							
Included in Deposits							
900,000 Trust Capital Securities							
– Series 2013 (10)	July 23, 2003	June 30, December 31	5.812%	December 31, 2008	Any time	\$ –	\$ 900

The significant terms and conditions of the RBC TruCS are as follows:

- (1) Subject to the approval of OSFI, the Trust may, on the earliest redemption date specified above, and on any distribution date thereafter, redeem in whole (but not in part) the RBC TruCS 2008-1 and 2015, without the consent of the holders.
 - (2) Subject to the approval of OSFI, upon occurrence of a special event as defined, prior to the earliest redemption date specified above, the trusts may redeem in whole (but not in part) the RBC TruCS 2008-1, 2013 or 2015 without the consent of the holders.
 - (3) Issuer Redemption Price: The RBC TruCS 2008-1 may be redeemed for cash equivalent to (i) the Early Redemption Price if the redemption occurs prior to June 30, 2018 or (ii) the Redemption Price if the redemption occurs on or after June 30, 2018. The RBC TruCS 2013 and 2015 may be redeemed for cash equivalent to (i) the Early Redemption Price if the redemption occurs prior to December 31, 2013 and 2015, respectively, or (ii) the Redemption Price if the redemption occurs on or after December 31, 2013 and 2015, respectively. Redemption Price refers to an amount equal to \$1,000 plus the unpaid distributions to the redemption date. Early Redemption Price refers to an amount equal to the greater of (i) the Redemption Price and (ii) the price calculated to provide an annual yield, equal to the yield on a Government of Canada bond issued on the redemption date with a maturity date of June 30, 2018, plus 77 basis points, for RBC TruCS 2008-1, and a maturity date of December 31, 2013 and 2015, plus 23 basis points and 19.5 basis points, for RBC TruCS 2013 and 2015, respectively.
 - (4) Automatic Exchange Event: Without the consent of the holders, each RBC TruCS 2008-1, 2013 and 2015 will be exchanged automatically for 40 of our non-cumulative redeemable First Preferred Shares Series A1, T and Z, respectively, upon occurrence of any one of the following events: (i) proceedings are commenced for our winding-up; (ii) OSFI takes control of us; (iii) we have Tier 1 capital ratio of less than 5% or Total capital ratio of less than 8%; or (iv) OSFI has directed us to increase our capital or provide additional liquidity and we elect such automatic exchange or we fail to comply with such direction. The First Preferred Shares Series A1, T and Z pay semi-annual non-cumulative cash dividends and Series T is convertible at the option of the holder into a variable number of common shares.
 - (5) From time to time, we purchase some of the innovative capital instruments and hold them temporarily. As at October 31, 2014, we held \$9 million of RBC TruCS 2015 (October 31, 2013 – \$nil) and \$3 million of the RBC TruCS 2008-1 (October 31, 2013 – \$nil) as treasury holdings which were deducted from regulatory capital.
 - (6) Regulatory capital: In accordance with OSFI Capital Adequacy Requirements, effective January 2013, RBC TruCS no longer qualify as additional Tier 1 capital due to their lack of non-viability contingent capital terms and conditions. As such, outstanding RBC TruCS are being phased out of regulatory capital in accordance with OSFI guidelines.
 - (7) Holder Exchange Right: Holders of RBC TruCS 2013 may, at any time, exchange all or part of their holdings for 40 non-cumulative redeemable First Preferred Shares Series U, for each RBC TruCS 2013 held. The First Preferred Shares Series U pay semi-annual non-cumulative cash dividends as and when declared by our Board of Directors and are convertible at the option of the holder into a variable number of common shares. Holders of RBC TruCS 2008-1 and RBC TruCS 2015 do not have similar exchange rights.
 - (8) The non-cumulative cash distribution on the RBC TruCS 2015 will be 4.87% paid semi-annually until December 31, 2015, and at one half of the sum of 180-day Bankers' Acceptance rate plus 1.5%, thereafter. The non-cumulative cash distribution on the RBC TruCS 2008-1 will be 6.82% paid semi-annually until June 30, 2018, and at one half of the sum of 180-day Bankers' Acceptance rate plus 3.5% thereafter.
 - (9) Subject to the approval of OSFI, Trust II may, in whole or in part, on the redemption date specified above, and on any distribution date thereafter, redeem any outstanding RBC TruCS 2013 without the consent of the holders.
 - (10) On December 31, 2013, Trust II redeemed all \$900 million principal amount of RBC TruCS 2013 for cash at a redemption price of \$1,000 per unit.
- n.a. not applicable

Share capital
Authorized share capital

Preferred – An unlimited number of First Preferred Shares and Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares that may be issued may not exceed \$20 billion and \$5 billion, respectively.

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

Outstanding share capital

The following table details our common and preferred shares outstanding.

(Millions of Canadian dollars, except the number of shares and dividends per share)	As at					
	October 31, 2014			October 31, 2013		
	Number of shares (thousands)	Amount	Dividends declared per share	Number of shares (thousands)	Amount	Dividends declared per share
Preferred shares						
First preferred ⁽¹⁾						
Non-cumulative, fixed rate						
Series W	12,000	\$ 300	\$ 1.23	12,000	\$ 300	\$ 1.23
Series AA	12,000	300	1.11	12,000	300	1.11
Series AB	12,000	300	1.18	12,000	300	1.18
Series AC	8,000	200	1.15	8,000	200	1.15
Series AD	10,000	250	1.13	10,000	250	1.13
Series AE	10,000	250	1.13	10,000	250	1.13
Series AF	8,000	200	1.11	8,000	200	1.11
Series AG	10,000	250	1.13	10,000	250	1.13
Series AH ⁽²⁾	–	–	–	–	–	0.86
Non-cumulative, 5-Year Rate Reset						
Series AJ ⁽³⁾	13,579	339	0.97	16,000	400	1.25
Series AL	12,000	300	1.15	12,000	300	1.40
Series AN ⁽⁴⁾	–	–	0.39	9,000	225	1.56
Series AP ⁽⁴⁾	–	–	0.39	11,000	275	1.56
Series AR ⁽⁴⁾	–	–	0.39	14,000	350	1.56
Series AT ⁽⁵⁾	–	–	1.17	11,000	275	1.56
Series AV ⁽⁵⁾	–	–	1.17	16,000	400	1.56
Series AX ⁽⁶⁾	13,000	325	1.53	13,000	325	1.53
Series AZ	20,000	500	0.50	–	–	–
Series BB	20,000	500	0.46	–	–	–
Non-cumulative, floating rate						
Series AK ⁽³⁾	2,421	61	0.53	–	–	–
		\$ 4,075			\$ 4,600	
Common shares						
Balance at beginning of year	1,441,056	\$ 14,377		1,445,303	\$ 14,323	
Issued under the stock option plan ⁽⁷⁾	2,723	150		2,528	121	
Purchased for cancellation ⁽⁸⁾	(1,546)	(16)		(6,775)	(67)	
Balance at end of year	1,442,233	\$ 14,511	\$ 2.84	1,441,056	\$ 14,377	\$ 2.53
Treasury shares – Preferred shares						
Balance at beginning of year	47	\$ 1		42	\$ 1	
Sales	4,919	124		4,892	127	
Purchases	(4,965)	(125)		(4,887)	(127)	
Balance at end of year	1	\$ –		47	\$ 1	
Treasury shares – Common shares						
Balance at beginning of year	666	\$ 41		543	\$ 30	
Sales	70,684	5,333		71,361	4,453	
Purchases	(70,458)	(5,303)		(71,238)	(4,442)	
Balance at end of year	892	\$ 71		666	\$ 41	

(1) First Preferred Shares Series were issued at \$25 per share.

(2) On July 2, 2013, we redeemed all 8.5 million of issued and outstanding Non-Cumulative First Preferred Shares Series AH for cash at a redemption price of \$26 per share plus declared dividends. This amount is comprised of the \$25 per share original issue price plus a \$1 per share redemption premium.

(3) On February 24, 2014, we issued 2.4 million Non-Cumulative Floating Rate First Preferred Shares, Series AK, totalling \$61 million through a holder option, one-for-one conversion of some of our Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AJ.

(4) On February 24, 2014, we redeemed all issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AN (9 million shares), Series AP (11 million shares), and Series AR (14 million shares) for cash at a redemption price of \$25 per share.

(5) On August 24, 2014, we redeemed all issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AT (11 million shares) and Series AV (16 million shares) for cash at a redemption price of \$25 per share.

(6) On November 24, 2014, we redeemed all 13 million of issued and outstanding Non-Cumulative 5-year Rate Reset First Preferred Shares Series AX for cash at a redemption price of \$25 per share.

(7) Includes fair value adjustments to stock options of \$16 million (2013 – \$14 million).

(8) During the year ended October 31, 2014, we purchased for cancellation common shares at an average cost of \$72.64 per share (October 31, 2013 – \$60.34 per share) with a book value of \$10.03 per share (October 31, 2013 – \$9.94 per share).

As at October 31, 2014	Initial Period Annual Yield	Premium	Current Dividend per share (1)	Earliest redemption date (2)	Issue Date	Redemption price (2), (3)
Preferred shares						
First preferred						
Non-cumulative, fixed rate						
Series W (4)	4.90%		\$.306250	February 24, 2010	January 31, 2005	\$ 25.00
Series AA	4.45%		.278125	May 24, 2011	April 4, 2006	25.25
Series AB	4.70%		.293750	August 24, 2011	July 20, 2006	25.25
Series AC	4.60%		.287500	November 24, 2011	November 1, 2006	25.50
Series AD	4.50%		.281250	February 24, 2012	December 13, 2006	25.50
Series AE	4.50%		.281250	February 24, 2012	January 19, 2007	25.50
Series AF	4.45%		.278125	May 24, 2012	March 14, 2007	25.50
Series AG	4.50%		.281250	May 24, 2012	April 26, 2007	25.50
Non-cumulative, 5-Year Rate Reset (5)						
Series AJ	5.00%	1.93%	.220000	February 24, 2014	September 16, 2008	25.00
Series AL	5.60%	2.67%	.266250	February 24, 2014	November 3, 2008	25.00
Series AX	6.10%	4.13%	.381250	November 24, 2014	April 29, 2009	25.00
Series AZ (6)	4.00%	2.21%	.250000	May 24, 2019	January 30, 2014	25.00
Series BB (6)	3.90%	2.26%	.243750	August 24, 2019	June 3, 2014	25.00
Non-cumulative, floating rate						
Series AK (7)		1.93%	.180786	February 24, 2019	February 24, 2014	25.00

- (1) Non-cumulative preferential dividends of each Series are payable quarterly, as and when declared by the Board of Directors, on or about the 24th day of February, May, August and November.
- (2) The redemption price represents the price as at October 31, 2014 or the contractual redemption price, whichever is applicable. Subject to the consent of OSFI and the requirements of the *Bank Act* (Canada), we may, on or after the dates specified above, redeem First Preferred Shares. Unless otherwise noted, shares may be redeemed for cash at a price per share of \$25 if redeemed on the earliest redemption date and on the same date every fifth year thereafter. In the case of Series W, AA, AB, AC, AD, AE, AF and AG, these may be redeemed for cash at a price per share of \$26 if redeemed during the 12 months commencing on the earliest redemption date and decreasing by \$0.25 each 12-month period thereafter to a price per share of \$25 if redeemed four years from the earliest redemption date or thereafter.
- (3) Subject to the consent of OSFI and the requirements of the *Bank Act* (Canada), we may purchase the First Preferred Shares of each Series for cancellation at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.
- (4) Subject to the approval of the Toronto Stock Exchange, we may, on or after February 24, 2010, convert First Preferred Shares Series W into our common shares. First Preferred Shares Series W may be converted into that number of common shares determined by dividing the current redemption price by the greater of \$2.50 and 95% of the weighted average trading price of common shares at such time.
- (5) The dividend rate will reset on the earliest redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus the premium indicated. The holders have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the three-month Government of Canada Treasury Bill rate plus the premium indicated.
- (6) The preferred shares include non-viability contingency capital (NVCC) provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each preferred share is convertible into common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a floor price of \$5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of shares issued is determined by dividing the preferred share value (\$25.00 plus declared and unpaid dividends) by the conversion price.
- (7) The dividend rate is equal to the three-month Government of Canada Treasury Bill rate plus the premium indicated. The holders have the option to convert their shares into non-cumulative First Preferred Shares, Series AJ subject to certain conditions on February 24, 2019 and every fifth year thereafter.

Restrictions on the payment of dividends

We are prohibited by the *Bank Act* (Canada) from declaring any dividends on our preferred or common shares when we are, or would be placed as a result of the declaration, in contravention of the capital adequacy and liquidity regulations or any regulatory directives issued under the Act. We may not pay dividends on our common shares at any time unless all dividends to which preferred shareholders are then entitled have been declared and paid or set apart for payment. We have agreed that if the Trust fails to pay any required distribution on the trust capital securities in full, we will not declare dividends of any kind on any of our preferred or common shares. Refer to Note 20.

Currently, these limitations do not restrict the payment of dividends on our preferred or common shares.

Dividend reinvestment plan

Our dividend reinvestment plan (DRIP) provides common and preferred shareholders with a means to receive additional common shares rather than cash dividends. The plan is only open to shareholders residing in Canada or the United States. The requirements of our DRIP are satisfied through either open market share purchases or shares issued from treasury. During 2014 and 2013, the requirements of our DRIP were satisfied through open market share purchases.

Shares available for future issuances

As at October 31, 2014, 43.7 million common shares are available for future issue relating to our DRIP and potential exercise of stock options outstanding. In addition, we may issue up to 38.9 million common shares from treasury under the RBC Umbrella Savings and Securities Purchase Plan that was approved by shareholders on February 26, 2009.

Non-controlling interests

	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars)		
RBC Trust Capital Securities (1)		
Series 2015	\$ 1,211	\$ 1,220
Series 2008-1	508	511
Other	94	64
	\$ 1,813	\$ 1,795

(1) As at October 31, 2014, RBC TruCS Series 2015 includes \$20 million of accrued interest (October 31, 2013 – \$20 million), net of \$9 million of treasury holdings (October 31, 2013 – \$nil). Series 2008-1 includes \$11 million of accrued interest (October 31, 2013 – \$11 million), net of \$3 million of treasury holdings (October 31, 2013 – \$nil).

Note 22 Share-based compensation

Stock option plans

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

The compensation expense recorded for the year ended October 31, 2014, in respect of the stock option plans was \$7 million (October 31, 2013 – \$7 million; October 31, 2012 – \$7 million). The compensation expense related to non-vested options was \$4 million at October 31, 2014 (October 31, 2013 – \$5 million; October 31, 2012 – \$7 million), to be recognized over the weighted average period of 1.4 years (October 31, 2013 – 1.1 years; October 31, 2012 – 1.5 years).

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

A summary of our stock option activity and related information

	October 31, 2014		October 31, 2013		October 31, 2012	
	Number of options (thousands)	Weighted average exercise price	Number of options (thousands)	Weighted average exercise price	Number of options (thousands)	Weighted average exercise price
(Canadian dollars per share except share amounts)						
Outstanding at beginning of year	10,604	\$ 50.39	12,304	\$ 48.12	14,413	\$ 45.06
Granted	705	69.17	906	58.65	1,161	48.93
Exercised (1), (2)	(2,723)	49.03	(2,528)	42.22	(3,174)	34.36
Forfeited in the year	(7)	52.92	(78)	53.27	(96)	52.37
Outstanding at end of year	8,579	\$ 52.36	10,604	\$ 50.39	12,304	\$ 48.12
Exercisable at end of year	4,987	\$ 49.60	5,711	\$ 47.80	6,544	\$ 45.43
Available for grant	11,443		12,140		12,968	

(1) Cash received for options exercised during the year was \$133 million (October 31, 2013 – \$107 million; October 31, 2012 – \$109 million) and the weighted average share price at the date of exercise was \$74.27 (October 31, 2013 – \$63.17; October 31, 2012 – \$54.48).

(2) New shares were issued for all stock options exercised in 2014, 2013 and 2012. See Note 21.

Options outstanding as at October 31, 2014 by range of exercise price:

	Options outstanding			Options exercisable	
	Number outstanding (thousands)	Weighted average exercise price (1)	Weighted average remaining contractual life	Number exercisable (thousands)	Weighted average exercise price (1)
(Canadian dollars per share except share amounts)					
\$31.70 - \$35.37	1,031	\$ 35.35	4.09	1,031	\$ 35.35
\$44.13 - \$48.93	1,448	47.86	5.75	322	44.13
\$50.55 - \$52.94	2,323	52.66	5.02	1,452	52.70
\$54.99 - \$57.90	2,182	55.08	4.33	2,182	55.08
\$58.65 - \$69.17	1,595	63.30	8.55	–	–
	8,579	\$ 52.36	5.51	4,987	\$ 49.60

(1) The weighted average exercise prices have been revised to reflect the conversion of foreign currency-denominated options at the exchange rate as of October 31, 2014.

The weighted average fair value of options granted during the year ended October 31, 2014 was estimated at \$7.19 (October 31, 2013 – \$5.33; October 31, 2012 – \$4.42). This was determined by applying the Black-Scholes model on the date of grant, taking into account the specific terms and conditions under which the options are granted, such as the vesting period and expected share price volatility estimated by considering both historic average share price volatility and implied volatility derived from traded options over our common shares of similar maturity to those of the employee options. The following assumptions were used to determine the fair value of options granted:

Weighted average assumptions

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Canadian dollars per share except percentages)			
Share price at grant date	\$ 68.75	\$ 58.65	\$ 48.19
Risk-free interest rate	1.95%	1.38%	1.38%
Expected dividend yield	3.94%	4.19%	3.93%
Expected share price volatility	18%	18%	18%
Expected life of option	6 years	6 years	6 years

Employee savings and share ownership plans

We offer many employees an opportunity to own our common shares through savings and share ownership plans. Under these plans, the employees can generally contribute between 1% and 10% of their annual salary or benefit base for commissioned based employees. For each contribution between 1% and 6%, we will match 50% of the employee contributions in our common shares. For the RBC Dominion Securities Savings Plan, our maximum annual contribution is \$4,500 per employee. For the RBC U.K. Share Incentive Plan, our maximum annual contribution is £1,500 per employee. For the year ended October 31, 2014, we contributed \$85 million (October 31, 2013 – \$77 million; October 31, 2012 – \$75 million), under the terms of these plans, towards the purchase of our common shares. As at October 31, 2014, an aggregate of 38 million common shares were held under these plans (October 31, 2013 – 38 million common shares; October 31, 2012 – 37 million common shares).

Deferred share and other plans

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

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

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

We maintain a non-qualified deferred compensation plan for key employees in the United States under an arrangement called the RBC U.S. Wealth Accumulation Plan. This plan allows eligible employees to defer a portion of their annual income and allocate the deferrals among various fund choices, which include a share unit fund that tracks the value of our common shares. Certain deferrals may also be eligible for matching contributions, all of which are allocated to the RBC share unit fund.

Our liabilities for the awards granted under the deferred share and other plans are measured at fair value, determined based on the quoted market price of our common shares. The following tables present our obligations under the deferred share and other plans, and the related compensation expenses (recoveries) recognized for the year.

Obligation under deferred share and other plans

	October 31, 2014			October 31, 2013			October 31, 2012		
	Units granted during the year		Units outstanding at the end of the year	Units granted during the year		Units Outstanding at the end of the year	Units granted during the year		Units outstanding at the end of the year
	Number granted (thousands)	Weighted average fair value	Carrying amount	Number granted (thousands)	Weighted average fair value	Carrying amount	Number granted (thousands)	Weighted average fair value	Carrying amount
(Millions of Canadian dollars except units and per unit amounts)									
Deferred share unit plans	315	\$ 71.57	\$ 333	265	\$ 60.83	\$ 307	302	\$ 59.60	\$ 229
Deferred bonus plan	5,339	78.97	1,585	5,215	69.45	1,517	8,917	56.72	1,494
Performance deferred share award plans	2,181	68.09	503	2,337	58.62	440	2,570	49.03	307
RBC U.S. Wealth Accumulation Plan	69	74.68	343	374	61.23	301	458	51.91	253
Other share-based plans	845	70.32	118	809	60.47	76	437	51.34	45
	8,749	\$ 75.12	\$ 2,882	9,000	\$ 65.23	\$ 2,641	12,684	\$ 54.87	\$ 2,328

Compensation expenses recognized under deferred share and other plans

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Deferred share unit plans	\$ 61	\$ 53	\$ 29
Deferred bonus plan	121	284	185
Performance deferred share award plans	243	249	151
RBC U.S. Wealth Accumulation Plan	147	211	136
Other share-based plans	65	46	29
	\$ 637	\$ 843	\$ 530

Note 23 Income and expenses from selected financial instruments

Gains and losses arising from financial instruments held at FVTPL, except for those supporting our insurance operations, are reported in Non-interest income. Related interest and dividend income are reported in Net interest income.

Net gains (losses) from financial instruments held at fair value through profit or loss ⁽¹⁾

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Net gains (losses)			
Classified as at fair value through profit or loss ⁽²⁾	\$ 922	\$ 875	\$ 1,217
Designated as at fair value through profit or loss ⁽³⁾	(132)	(30)	(54)
	\$ 790	\$ 845	\$ 1,163
By product line			
Interest rate and credit	\$ 603	\$ 593	\$ 805
Equities	(190)	(55)	(8)
Foreign exchange and commodities	377	307	366
	\$ 790	\$ 845	\$ 1,163

(1) The following related to our insurance operations are excluded from Non-interest income and included in Insurance premiums, investment and fee income in the Consolidated Statements of Income: Net gains (losses) from financial instruments designated as at FVTPL were \$515 million (October 31, 2013 – \$(496) million; October 31, 2012 – \$439 million).

(2) Excludes derivatives designated in a hedging relationship. Refer to Note 8 for net gains (losses) on these derivatives.

(3) For the year ended October 31, 2014, \$414 million of net fair value losses on financial liabilities designated as at FVTPL, other than those attributable to changes in our own credit risk, were included in Non-interest income.

Net interest income from financial instruments ⁽¹⁾

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Interest income			
Financial instruments held as at fair value through profit or loss	\$ 4,246	\$ 3,959	\$ 4,955
Other categories of financial instruments ⁽²⁾	17,773	17,189	15,814
	22,019	21,148	20,769
Interest expense			
Financial instruments held as at fair value through profit or loss	\$ 2,198	\$ 2,260	\$ 3,029
Other categories of financial instruments	5,705	5,639	5,301
	7,903	7,899	8,330
Net interest income	\$ 14,116	\$ 13,249	\$ 12,439

(1) The following related to our insurance operations are excluded from Net-interest income and included in Insurance premiums, investment and fee income in the Consolidated Statements of Income: Interest income of \$435 million (October 31, 2013 – \$470 million; October 31, 2012 – \$466 million), Interest expense of \$nil million (October 31, 2013 – \$nil million; October 31, 2012 – \$nil million).

(2) Refer to Note 5 for interest income accrued on impaired financial assets.

Income from other categories of financial instruments ^{(1), (2)}

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Net gains (losses) arising from financial instruments measured at amortized cost ⁽³⁾	\$ (7)	\$ –	\$ (4)
Net fee income which does not form an integral part of the effective interest rate of financial assets and liabilities	4,190	3,869	3,378
Net fee income arising from trust and other fiduciary activities	9,138	7,990	6,595

(1) Refer to Note 4 for net gains (losses) on AFS securities.

(2) Refer to Note 4 for impairment losses on AFS and held-to-maturity securities, and Note 5 for impairment losses on loans.

(3) Financial instruments measured at amortized cost include held-to-maturity securities, loans and financial liabilities measured at amortized cost.

The components of tax expense are as follows:

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Income taxes (recoveries) in Consolidated Statements of Income			
Current tax			
Tax expense for current year	\$ 2,858	\$ 2,516	\$ 2,166
Adjustments for prior years	(64)	(289)	(184)
Recoveries arising from previously unrecognized tax loss, tax credit or temporary difference of a prior period	(4)	(2)	–
	2,790	2,225	1,982
Deferred tax			
Origination and reversal of temporary difference	(156)	(100)	(107)
Effects of changes in tax rates	(3)	(1)	2
Adjustments for prior years	74	(5)	167
Recoveries arising from previously unrecognized tax loss, tax credit or temporary difference of a prior period	(3)	(46)	(16)
Write-down	4	32	–
	(84)	(120)	46
	2,706	2,105	2,028
Income taxes in Consolidated Statements of Comprehensive Income and Changes in Equity			
Other comprehensive income			
Net unrealized gains on available-for-sale securities	70	3	72
Reclassification of gains on available-for-sale securities to income	(12)	(20)	(2)
Unrealized foreign currency translation gains	5	2	1
Foreign currency translation (losses) gains from hedging activities	(561)	(322)	39
Reclassification of (gains) losses on net investment hedging activities	1	–	(59)
Net unrealized (losses) gains on derivatives designated as cash flow hedges	(39)	(4)	11
Reclassification of (gains) losses on derivatives designated as cash flow hedges to income	10	(11)	10
Remeasurement of employee benefit plans	(88)	121	(279)
Net fair value change due to credit risk on financial liabilities designed as at fair value through profit and loss	(22)	–	–
Issuance costs	(7)	–	–
	(643)	(231)	(207)
Total income taxes	\$ 2,063	\$ 1,874	\$ 1,821

Our effective tax rate changed from 20.1% for 2013 to 23.1% for 2014, principally due to a net favourable tax adjustment of \$214 million related to prior years recorded in 2013, which is presented in Other in the table below.

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

Reconciliation to statutory tax rate

(Millions of Canadian dollars, except for percentage amounts)	For the year ended					
	October 31, 2014		October 31, 2013		October 31, 2012	
Income taxes at Canadian statutory tax rate	\$ 3,080	26.3%	\$ 2,737	26.2%	\$ 2,531	26.4%
(Decrease) increase in income taxes resulting from						
Lower average tax rate applicable to subsidiaries	(272)	(2.3)	(190)	(1.8)	(299)	(3.1)
Goodwill Impairment	–	–	–	–	37	0.4
Tax-exempt income from securities	(386)	(3.3)	(294)	(2.8)	(330)	(3.4)
Tax rate change	(3)	–	(1)	–	2	–
Effect of previously unrecognized tax loss, tax credit or temporary differences	(7)	(0.1)	(48)	(0.5)	(16)	(0.1)
Other	294	2.5	(99)	(1.0)	103	1.0
Income taxes reported in Consolidated Statements of Income / effective tax rate	\$ 2,706	23.1%	\$ 2,105	20.1%	\$ 2,028	21.2%

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

Significant components of deferred tax assets and liabilities

(Millions of Canadian dollars)	As at October 31, 2014							Net Asset October 31, 2014
	Net Asset November 1, 2013	Change through equity	Change through profit or loss	Exchange rate differences	Acquisitions/ disposals	Other		
Net deferred tax asset/(liability)								
Allowance for credit losses	\$ 413	\$ –	\$ (37)	\$ –	\$ –	\$ –	\$ –	\$ 376
Deferred compensation	1,290	–	151	72	–	–	–	1,513
Business realignment charges	6	–	3	–	–	–	–	9
Tax loss carryforwards	62	–	(19)	1	–	–	–	44
Deferred income	42	–	78	–	–	–	–	120
Available-for-sale securities	102	(49)	(19)	(4)	–	–	–	30
Premises and equipment	(227)	–	(99)	4	–	–	–	(322)
Deferred expense	(80)	7	(25)	–	–	–	–	(98)
Pension and post-employment related	492	88	(16)	2	–	–	–	566
Intangibles	(279)	–	5	(8)	–	–	–	(282)
Other	150	–	62	10	–	–	–	222
	\$ 1,971	\$ 46	\$ 84	\$ 77	\$ –	\$ –	\$ –	\$ 2,178
Comprising								
Deferred tax assets	\$ 2,141							\$ 2,382
Deferred tax liabilities	(170)							(204)
	\$ 1,971							\$ 2,178

(Millions of Canadian dollars)	As at October 31, 2013							Net Asset October 31, 2013
	Net Asset November 1, 2012	Change through equity	Change through profit or loss	Exchange rate differences	Acquisitions/ disposals	Other		
Net deferred tax asset/(liability)								
Allowance for credit losses	\$ 418	\$ –	\$ (55)	\$ (1)	\$ 58	\$ (7)	\$ –	\$ 413
Deferred compensation	988	–	270	33	–	(1)	–	1,290
Business realignment charges	39	–	(33)	–	–	–	–	6
Tax loss carryforwards	72	1	(13)	–	–	2	–	62
Deferred income	97	–	2	–	(57)	–	–	42
Available-for-sale securities	140	(1)	(39)	2	–	–	–	102
Premises and equipment	(150)	–	(83)	1	–	5	–	(227)
Deferred expense	(81)	–	1	–	–	–	–	(80)
Pension and post-employment related	555	(121)	53	5	–	–	–	492
Intangibles	(230)	–	(15)	(7)	(31)	4	–	(279)
Other	80	1	32	1	31	5	–	150
	\$ 1,928	\$ (120)	\$ 120	\$ 34	\$ 1	\$ 8	\$ –	\$ 1,971
Comprising								
Deferred tax assets	\$ 2,071							\$ 2,141
Deferred tax liabilities	(143)							(170)
	\$ 1,928							\$ 1,971

The tax loss carryforwards amount of deferred tax assets was related to losses in our Luxembourg, U.K., U.S., Caribbean and Japanese operations. Deferred tax assets of \$44 million (October 31, 2013 – \$62 million) were recognized at October 31, 2014 in respect of tax losses incurred in current or preceding years which recognition is dependent on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilize the deferred tax assets. The forecasts rely on continued liquidity and capital support to our business operations, including tax planning strategies implemented in relation to such support.

As at October 31, 2014, unused tax losses, tax credits and deductible temporary differences of \$532 million, \$267 million and \$7 million (October 31, 2013 – \$514 million, \$183 million and \$nil) available to be offset against potential tax adjustments or future taxable income were not recognized as deferred tax assets. This amount includes unused tax losses of \$167 million (October 31, 2013 – \$168 million) which expire in two to four years, and \$365 million (October 31, 2013 – \$346 million) which expire after four years. There are \$6 million of tax credits (October 31, 2013 – \$nil) that will expire in two to four years, and \$261 million (October 31, 2013 – \$183 million) that will expire after four years. In addition, there are deductible temporary differences of \$7 million (October 31, 2013 – \$nil) that will expire after four years.

The amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognized in the parent bank is \$9.0 billion as at October 31, 2014 (October 31, 2013 – \$7.7 billion).

Note 25 Earnings per share

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Millions of Canadian dollars, except share and per share amounts)			
Basic earnings per share			
Net Income	\$ 9,004	\$ 8,342	\$ 7,507
Net loss from discontinued operations	–	–	(51)
Net income from continuing operations	9,004	8,342	7,558
Preferred share dividends	(213)	(253)	(258)
Net income attributable to non-controlling interest	(94)	(98)	(97)
Net income available to common shareholders from continuing operations	8,697	7,991	7,203
Weighted average number of common shares (in thousands)	1,442,553	1,443,735	1,442,167
Basic earnings (loss) per share			
Continuing operations (in dollars)	\$ 6.03	\$ 5.53	\$ 4.99
Discontinued operations (in dollars)	–	–	(0.03)
	\$ 6.03	\$ 5.53	\$ 4.96
Diluted earnings per share			
Net income available to common shareholders from continuing operations	\$ 8,697	\$ 7,991	\$ 7,203
Dilutive impact of exchangeable shares	21	53	53
Net income from continuing operations available to common shareholders including dilutive impact of exchangeable shares	8,718	8,044	7,256
Net loss from discontinued operations available to common shareholders	–	–	(51)
Weighted average number of common shares (in thousands)	1,442,553	1,443,735	1,442,167
Stock options ⁽¹⁾	2,938	2,320	1,626
Issuable under other share-based compensation plans	–	74	433
Exchangeable shares ⁽²⁾	6,512	20,400	24,061
Average number of diluted common shares (in thousands)	1,452,003	1,466,529	1,468,287
Diluted earnings (loss) per share			
Continuing operations (in dollars)	\$ 6.00	\$ 5.49	\$ 4.94
Discontinued operations (in dollars)	–	–	(0.03)
	\$ 6.00	\$ 5.49	\$ 4.91

- (1) The dilutive effect of stock options was calculated using the treasury stock method. When the exercise price of options outstanding is greater than the average market price of our common shares, the options are excluded from the calculation of diluted earnings per share. The following amounts were excluded from the calculation of diluted earnings per share: for the years ended October 31, 2014 and 2013 – no outstanding options were excluded from the calculation of diluted earnings per share; for the year ended October 31, 2012 – an average of 3,992,229 outstanding options with an average exercise price of \$55.05.
- (2) Includes exchangeable preferred shares and trust capital securities.

Note 26 Guarantees, commitments, pledged assets and contingencies

Guarantees and commitments

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

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

	Maximum exposure to credit losses	
	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars)		
Financial guarantees		
Financial standby letters of credit	\$ 17,208	\$ 15,592
Commitments to extend credit		
Backstop liquidity facilities	31,467	32,142
Credit enhancements	3,246	3,181
Documentary and commercial letters of credit	180	139
Other commitments to extend credit	137,623	117,704
Other commitments		
Securities lending indemnifications	62,319	57,749
Performance guarantees	6,115	5,221

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

Financial guarantees

Financial standby letters of credit

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

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

Commitments to extend credit

Backstop liquidity facilities

Backstop liquidity facilities are provided to asset-backed commercial paper conduit programs administered by us and third parties, as an alternative source of financing in the event that such programs are unable to access commercial paper markets, or in limited circumstances, when predetermined performance measures of the financial assets owned by these programs are not met. The average remaining term of these liquidity facilities is approximately three years.

Backstop liquidity facilities are also provided to non-asset backed programs such as variable rate demand notes issued by third parties. These standby facilities provide liquidity support to the issuer to buy the notes if the issuer is unable to remarket the notes, as long as the instrument and/or the issuer maintain the investment grade rating.

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

Credit enhancements

We provide partial credit enhancement to multi-seller programs administered by us to protect commercial paper investors in the event that the collection on the underlying assets, the transaction-specific credit enhancement or the liquidity proves to be insufficient to pay for maturing commercial paper. Each of the asset pools is structured to achieve a high investment-grade credit profile through credit enhancements from us and other third parties related to each transaction. The average remaining term of these credit facilities is approximately three years.

Documentary and commercial letters of credit

Documentary and commercial letters of credit, which are written undertakings by us on behalf of a client authorizing a third party to draw drafts on us up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipment of goods to which they relate.

Other commitments to extend credit

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit.

Other commitments

Securities lending indemnifications

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

Performance guarantees

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

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

Indemnifications

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

Uncommitted amounts

Uncommitted amounts represent undrawn credit facilities for which we have the ability to unilaterally withdraw the credit extended to the borrower. These include both retail and commercial commitments. As at October 31, 2014, the total balance of uncommitted amounts was \$195 billion (October 31, 2013 – \$183 billion).

Pledged assets and collateral

In the ordinary course of business, we pledge assets and enter in collateral agreements with terms and conditions that are usual and customary to our regular lending, borrowing and trading activities recorded on our Consolidated Balance Sheets. The following are examples of our general terms and conditions on pledged assets and collateral:

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

We are also required to provide intraday pledges to the Bank of Canada when we use the Large Value Transfer System (LVTS), which is a real-time electronic wire transfer system that continuously processes all Canadian dollar large-value or time-critical payments throughout the day. The pledged assets earmarked for LVTS activities are normally released back to us at the end of the settlement cycle each day. Therefore, the pledged assets amount is not included in the table below. For the year ended October 31, 2014, we had on average \$3.1 billion of assets pledged intraday to the Bank of Canada on a daily basis (October 31, 2013 – \$3.0 billion). There are infrequent occasions where we are required to take an overnight advance from the Bank of Canada to cover a settlement requirement, in which case an equivalent value of the pledged assets would be used to secure the advance. There were no overnight advances taken on October 31, 2014 and October 31, 2013.

Details of assets pledged against liabilities and collateral assets held or re-pledged are shown in the following tables:

	As at	
	October 31 2014	October 31 2013 (1)
<i>(Millions of Canadian dollars)</i>		
Sources of pledged assets and collateral		
Bank assets		
Cash and due from banks	\$ 243	\$ 204
Interest-bearing deposits with banks	90	83
Loans	72,191	74,138
Securities	59,476	50,527
Other assets	11,887	11,678
	\$ 143,887	\$ 136,630
Client assets		
Collateral received and available for sale or re-pledging	189,229	164,397
Less: not sold or re-pledged	(67,747)	(49,612)
	121,482	114,785
	265,369	251,415
Uses of pledged assets and collateral		
Securities lent	\$ 21,550	\$ 19,535
Securities borrowed	25,150	27,951
Obligations related to securities sold short	50,345	47,128
Obligations related to securities lent or sold under repurchase agreements	61,184	56,580
Securitization	45,089	49,899
Covered bonds	26,589	22,750
Derivative transactions	17,068	14,363
Foreign governments and central banks	2,167	1,928
Clearing systems, payment systems and depositories	4,947	3,672
Other	11,280	7,609
	\$ 265,369	\$ 251,415

(1) Certain amounts have been revised from those previously reported.

Lease commitments
Finance lease commitments

We lease computer equipment from third parties under finance lease arrangements. The leases have various terms, escalation and renewal rights. The future minimum lease payments under the finance leases are as follows:

	As at					
	October 31, 2014			October 31, 2013		
	Total future minimum lease payments	Future interest charges	Present value of finance lease commitments	Total future minimum lease payments	Future interest charges	Present value of finance lease commitments
<i>(Millions of Canadian dollars)</i>						
Future minimum lease payments						
No later than one year	\$ 59	\$ (6)	\$ 53	\$ 69	\$ (8)	\$ 61
Later than one year and no later than five years	51	(6)	45	86	(10)	76
	\$ 110	\$ (12)	\$ 98	\$ 155	\$ (18)	\$ 137

The net carrying amount of computer equipment held under finance lease as at October 31, 2014 was \$113 million (October 31, 2013 – \$153 million).

Operating lease commitments

We are obligated under a number of non-cancellable operating leases for premises and equipment. These leases have various terms, escalation and renewal rights. The minimum future lease payments under non-cancellable operating leases are as follows.

	As at			
	October 31, 2014		October 31, 2013	
(Millions of Canadian dollars)	Land and buildings	Equipment	Land and buildings	Equipment
Future minimum lease payments				
No later than one year	\$ 536	\$ 134	\$ 586	\$ 138
Later than one year and no later than five years	1,663	200	1,752	314
Later than five years	1,294	–	1,349	–
	3,493	334	3,687	452
Less: Future minimum sublease payments to be received	(17)	–	(25)	–
Net future minimum lease payments	\$ 3,476	\$ 334	\$ 3,662	\$ 452

Note 27 Litigation

We are a large global institution that is subject to many different complex legal and regulatory requirements that continue to evolve. As a result, Royal Bank of Canada and its subsidiaries are and have been subject to a variety of legal proceedings, including civil claims and lawsuits, regulatory examinations, investigations, audits and requests for information by various governmental regulatory agencies and law enforcement authorities in various jurisdictions. Some of these matters may involve novel legal theories and interpretations and may be advanced under criminal as well as civil statutes, and some proceedings could result in the imposition of civil, regulatory enforcement or criminal penalties. Management reviews the status of all proceedings on an ongoing basis and will exercise its judgment in resolving them in such manner as management believes to be in the Bank's best interest. This is an area of significant judgment and uncertainty and the extent of our financial and other exposure to these proceedings could be material to our results of operations in any particular period. The following is a description of our significant legal proceedings.

LIBOR inquiries and litigation

Various regulators and competition and enforcement authorities around the world, including in Canada, the United Kingdom, and the U.S., are conducting investigations related to certain past submissions made by panel banks in connection with the setting of the U.S. dollar London interbank offered rate (LIBOR). As Royal Bank of Canada is a member of certain LIBOR panels, including the U.S. dollar LIBOR panel, we have been the subject of regulatory demands for information and are cooperating with those investigations. In addition, Royal Bank of Canada and other U.S. dollar panel banks have been named as defendants in private lawsuits filed in the U.S. with respect to the setting of LIBOR, including a number of class action lawsuits which have been consolidated before the U.S. District Court for the Southern District of New York (the Court). The complaints in those actions assert claims against us and other panel banks under various U.S. laws including U.S. antitrust laws, the U.S. Commodity Exchange Act (CEA), and state law. The Court has issued three detailed rulings on various motions in the consolidated cases, on March 29, 2013, August 23, 2013 and June 23, 2014, which have collectively narrowed the scope of claims against us and the other panel bank defendants. A procedural aspect of these rulings is currently on appeal to the U.S. Supreme Court which may cause the scope of the claims against us to change. Based on the facts currently known, it is not possible at this time for us to predict the resolution of these regulatory investigations or private lawsuits, including the timing and potential impact on Royal Bank of Canada.

CFTC litigation

Royal Bank of Canada is a defendant in a civil lawsuit brought by the Commodity Futures Trading Commission (CFTC) in the U.S. The lawsuit alleges that certain inter-affiliate transactions were improper wash trades and effected in a non competitive manner. At this time, management does not believe that the ultimate resolution of this matter will have a material adverse effect on our consolidated financial position or results of operations.

Wisconsin school districts litigation

Royal Bank of Canada is a defendant in a lawsuit relating to our role in transactions involving investments made by a number of Wisconsin school districts in certain collateralized debt obligations. These transactions were also the subject of a regulatory investigation. Despite reaching a settlement with the Securities and Exchange Commission in September 2011, which was paid to the school districts through a Fair Fund, the lawsuit is continuing. Based on the facts currently known, it is not possible at this time to predict the ultimate outcome of this proceeding or the timing of its resolution; however, management believes the ultimate resolution of this proceeding will not have a material adverse effect on our consolidated financial position or results of operations.

Rural/Metro litigation

On October 10, 2014, the Delaware Court of Chancery in a class action brought by former shareholders of Rural/Metro Corporation held Royal Bank of Canada liable in the amount of US\$75.8 million, plus interest, for aiding and abetting a breach of fiduciary duty by three Rural/Metro directors. Plaintiffs' attorneys' fee application is pending and must be resolved before a final judgment will be entered. Management believes that the ultimate resolution of this proceeding, including any possible appeal, will not have a material adverse effect on our consolidated financial position or results of operations.

Other matters

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

Various other legal proceedings are pending that challenge certain of our other practices or actions. We consider that the aggregate liability, to the extent that we are able to assess it, resulting from these other proceedings will not be material to our consolidated financial position or results of operations.

Note 28 Contractual repricing and maturity schedule

The following table details our exposure to interest rate risk. The carrying amounts of financial assets and financial liabilities are reported below based on the earlier of their contractual repricing date or maturity date.

The following table does not incorporate management's expectation of future events where expected repricing or maturity dates differ significantly from the contractual dates. We incorporate these assumptions in the management of interest rate risk exposure. These assumptions include expected repricing of trading instruments and certain loans and deposits. Taking into account these assumptions on the consolidated contractual repricing and maturity schedule at October 31, 2014, would result in a change in the under-one-year gap from \$11.4 billion to \$75.6 billion.

(Millions of Canadian dollars)	As at October 31, 2014							
	Immediately interest rate-sensitive	Under 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-rate-sensitive	Total
Assets								
Cash and deposits with banks	\$ 10,912	\$ 8,638	\$ 1	\$ –	\$ –	\$ –	\$ 6,269	\$ 25,820
Trading securities	105	27,518	9,181	8,408	23,001	32,464	50,703	151,380
Available-for-sale securities	–	23,387	2,414	1,465	14,264	4,416	1,822	47,768
Assets purchased under reverse repurchase agreements and securities borrowed	1,004	115,025	15,933	3,618	–	–	–	135,580
Loans (net of allowance for loan losses)	165,259	65,121	12,339	25,191	156,311	7,278	3,730	435,229
Derivatives	87,402	–	–	–	–	–	–	87,402
Segregated fund net assets	–	–	–	–	–	–	675	675
Other assets	33	12,428	1	–	–	113	44,121	56,696
	\$ 264,715	\$ 252,117	\$ 39,869	\$ 38,682	\$ 193,576	\$ 44,271	\$ 107,320	\$ 940,550
Liabilities								
Deposits	\$ 236,376	\$ 119,539	\$ 18,251	\$ 37,724	101,572	\$ 20,943	\$ 79,695	\$ 614,100
Obligations related to assets sold under repurchase agreements and securities loaned	592	61,308	806	1,625	–	–	–	64,331
Obligations related to securities sold short	450	938	1,790	824	10,392	14,633	21,318	50,345
Derivatives	88,982	–	–	–	–	–	–	88,982
Segregated fund net liabilities	–	–	–	–	–	–	675	675
Other liabilities	71	10,605	31	61	1,720	6,710	40,557	59,755
Subordinated debentures	–	620	–	1,491	2,591	3,157	–	7,859
Non-controlling interests	–	–	–	–	1,719	–	94	1,813
Shareholders' equity	–	825	–	1,050	2,200	–	48,615	52,690
	\$ 326,471	\$ 193,835	\$ 20,878	\$ 42,775	\$ 120,194	\$ 45,443	\$ 190,954	\$ 940,550
Total gap	\$ (61,756)	\$ 58,282	\$ 18,991	\$ (4,093)	\$ 73,382	\$ (1,172)	\$ (83,634)	\$ –
Canadian dollar	\$ (39,220)	\$ 11,370	\$ 4,683	\$ (1,898)	\$ 97,840	\$ (6,936)	\$ (65,948)	\$ (109)
Foreign currency	(22,536)	46,912	14,308	(2,195)	(24,458)	5,764	(17,686)	109
Total gap	\$ (61,756)	\$ 58,282	\$ 18,991	\$ (4,093)	\$ 73,382	\$ (1,172)	\$ (83,634)	\$ –

Note 29 Related party transactions

Related parties

Related parties include associated companies, post-employment benefit plans for the benefit of our employees, key management personnel, the Board of Directors (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling our activities, directly or indirectly. They include the senior members of our organization called the Group Executive. The Group Executive is comprised of the President and Chief Executive Officer and individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and heads of our business units. The Directors do not plan, direct, or control the activities of the entity; they oversee the management of the business and provide stewardship.

Compensation of key management personnel and Directors

The following tables present the compensation paid, shareholdings and options held by key management personnel and Directors.

(Millions of Canadian dollars)	For the year ended		
	October 31 2014 ⁽¹⁾	October 31 2013	October 31 2012
Salaries and other short-term employee benefits ⁽²⁾	\$ 22	\$ 23	\$ 21
Post-employment benefits	7	3	2
Share-based payments	26	30	25
	\$ 55	\$ 56	\$ 48

- (1) During the year, certain executives who were members of the Bank's Group Executive as at October 31, 2013 have left the Bank and therefore, are no longer part of key management personnel. Compensation for the year ended October 31, 2014, attributable to the former executives, including current year benefits and share based payments relating to awards granted in prior years was \$60 million.
- (2) Includes the portion of the annual variable short-term incentive bonus that certain executives elected to receive in the form of DSUs. Refer to Note 22 for further details.

Stock options, stock awards and shares held by key management personnel, Directors and their close family members

(Millions of Canadian dollars, except number of shares)	As at			
	October 31, 2014 ⁽¹⁾		October 31, 2013	
	No. of units held	Value	No. of units held	Value
Stock options	2,472,134	\$ 66	4,566,316	\$ 84
Other non-option stock based awards	1,447,763	116	2,467,532	173
RBC common shares	686,674	55	1,485,843	104
	4,606,571	\$ 237	8,519,691	\$ 361

- (1) During the year, certain executives who were members of the Bank's Group Executive as at October 31, 2013 have left the Bank and therefore, are no longer part of key management personnel. Total stock options, stock awards and shares held by these executives upon their departure were 3,459,347 units with a value of \$194 million.

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

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

As at October 31, 2014, total loans to key management personnel, Directors and their close family members were \$7 million (October 31, 2013 – \$6 million). No guarantees, pledges or commitments have been given to key management personnel, Directors or their close family members.

Joint ventures and associates

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

As at October 31, 2014, loans to joint ventures and associates were \$57 million (October 31, 2013 – \$48 million) and deposits from joint ventures and associates were \$14 million (October 31, 2013 – \$12 million).

Other transactions, arrangements or agreements involving joint ventures or associates

(Millions of Canadian dollars)	As at or for the year ended		
	October 31 2014	October 31 2013	October 31 2012
Commitments and other contingencies	\$ 315	\$ 240	\$ 349
Other fees received for services rendered	45	47	84
Other fees paid for services received	185	191	245

Restricted net assets

Certain of our subsidiaries and joint ventures are subject to regulatory requirements of the jurisdictions in which they operate. When these subsidiaries and joint ventures are subject to such requirements, they may be restricted from transferring to us, our share of their assets in the form of cash dividends, loans or advances. At October 31, 2014, restricted net assets of these subsidiaries and joint ventures were \$16.0 billion (October 31, 2013 – \$16.2 billion).

Note 30 Results by business segment

Composition of business segments

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

Personal & Commercial Banking is comprised of our personal and business banking operations, auto financing and retail investment businesses and operates through four business lines: Personal Financial Services, Business Financial Services and Cards and Payment Solutions (Canadian Banking), and Caribbean & U.S. Banking. In Canada we provide a broad suite of financial products and services to our individual and business clients through our extensive branch, automated teller machines, online and telephone banking networks, as well as through a large number of proprietary sales professionals. In the Caribbean we offer a broad range of financial products and services to individuals, business clients and public institutions in their respective markets. In the United States, we serve the cross-border banking needs of Canadian clients within the United States, as well as the banking needs of our U.S. wealth management clients.

Wealth Management is comprised of Canadian Wealth Management, U.S. & International Wealth Management and Global Asset Management. We serve affluent, high net worth and ultra high net worth clients in Canada, the United States, the United Kingdom, Europe, Asia,

and emerging markets with a comprehensive suite of investment, trust, banking, credit and other wealth management solutions. We also provide asset management products and services directly to institutional and individual clients as well as through RBC distribution channels and third-party distributors.

Insurance is comprised of our insurance operations in Canada and globally and operates under two business lines: Canadian Insurance and International Insurance, providing a wide range of life, health, property and casualty, and reinsurance products and solutions. In Canada, we offer our products and services through our proprietary distribution channels, comprised of the field sales force which includes retail insurance branches, our field sales representatives, call centers and online network, as well as through independent insurance advisors and affinity relationships. Outside North America, we operate in reinsurance markets globally.

Investor & Treasury Services offers global custody, fund and pension administration, as well as an integrated suite of products to institutional investors worldwide. We also provide cash management, correspondent banking and trade finance services to financial institutions globally and funding and liquidity management for RBC as well as other select institutions.

Capital Markets is comprised of a majority of our global wholesale banking businesses providing public and private companies, institutional investors, governments and central banks with a wide range of products and services across our two main business lines, Global Markets and Corporate and Investment Banking. In North America, we offer a full suite of products and services which include corporate and investment banking, equity and debt origination and distribution, and structuring and trading. Outside North America, we have a select presence in the U.K., Europe, and Asia Pacific, where we offer a diversified set of capabilities in our key sectors of expertise such as energy, mining and infrastructure.

All other enterprise level activities that are not allocated to these five business segments, such as enterprise funding, securitizations, net charges associated with unattributed capital, and consolidation adjustments, including the elimination of the Taxable equivalent basis (Teb) gross-up amounts, are included in Corporate Support. Teb adjustments gross up Net interest income from certain tax-advantaged sources (Canadian taxable corporate dividends) to their effective tax equivalent value with the corresponding offset recorded in the provision for income taxes. Management believes that these adjustments are necessary for Capital Markets to reflect how it is managed. The use of the Teb adjustments enhances the comparability of revenue across our taxable and tax-advantaged sources. Our use of Teb adjustments may not be comparable to similarly adjusted amounts at other financial institutions. The Teb adjustment for the year ended October 31, 2014 was \$492 million (October 31, 2013 – \$380 million, October 31, 2012 – \$431 million).

Geographic segments

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

Management reporting framework

Our management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way our business segments are managed. This approach is intended to ensure that our business segments' results reflect all relevant revenue and expenses associated with the conduct of their businesses. Management regularly monitors these segments' results for the purpose of making decisions about resource allocation and performance assessment. These items do not impact our consolidated results.

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

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

(Millions of Canadian dollars)	For the year ended October 31, 2014									
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Canada	United States	Other International
Net interest income (2), (3)	\$ 9,743	\$ 469	\$ –	\$ 732	\$ 3,485	\$ (313)	\$ 14,116	\$ 11,121	\$ 1,896	\$ 1,099
Non-interest income	3,987	5,844	4,964	1,152	3,881	164	19,992	10,495	4,256	5,241
Total revenue	13,730	6,313	4,964	1,884	7,366	(149)	34,108	21,616	6,152	6,340
Provision for credit losses	1,103	19	–	–	44	(2)	1,164	922	52	190
Insurance policyholder benefits, claims and acquisition expense	–	–	3,573	–	–	–	3,573	2,188	1	1,384
Non-interest expense	6,563	4,800	579	1,286	4,344	89	17,661	9,650	4,222	3,789
Net income (loss) before income taxes	6,064	1,494	812	598	2,978	(236)	11,710	8,856	1,877	977
Income taxes (recoveries)	1,589	411	31	157	923	(405)	2,706	1,983	672	51
Net income from continuing operations	4,475	1,083	781	441	2,055	169	9,004	6,873	1,205	926
Net income from discontinued operations	–	–	–	–	–	–	–	–	–	–
Net income	\$ 4,475	\$ 1,083	\$ 781	\$ 441	\$ 2,055	\$ 169	\$ 9,004	\$ 6,873	\$ 1,205	\$ 926
Non-interest expense includes:										
Depreciation and amortization	\$ 339	\$ 147	\$ 16	\$ 58	\$ 28	\$ 577	\$ 1,165	\$ 971	\$ 39	\$ 155
Impairment of other intangibles	–	6	–	–	2	–	8	2	6	–
Restructuring provisions	20	16	–	–	–	–	36	–	16	20
Total assets	\$377,051	\$ 27,084	\$12,930	\$103,822	\$400,314	\$ 19,349	\$ 940,550	\$ 496,055	\$ 215,985	\$ 228,510
Total assets include: Additions to property, plant, equipment and intangibles	\$ 318	\$ 105	\$ 16	\$ 30	\$ 147	\$ 563	\$ 1,179	\$ 924	\$ 154	\$ 101
Total liabilities	\$376,154	\$ 27,022	\$12,988	\$103,798	\$400,114	\$(34,029)	\$ 886,047	\$ 441,535	\$ 216,052	\$ 228,460

(Millions of Canadian dollars)	For the year ended October 31, 2013									
	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Canada	United States	Other International
Net interest income (2), (3)	\$ 9,434	\$ 396	\$ –	\$ 671	\$ 2,872	\$ (124)	\$ 13,249	\$ 10,956	\$ 1,603	\$ 690
Non-interest income	3,585	5,091	3,928	1,133	3,708	(12)	17,433	8,606	3,835	4,992
Total revenue	13,019	5,487	3,928	1,804	6,580	(136)	30,682	19,562	5,438	5,682
Provision for credit losses	995	51	–	–	188	3	1,237	892	78	267
Insurance policyholder benefits, claims and acquisition expense	–	–	2,784	–	–	–	2,784	1,425	10	1,349
Non-interest expense	6,168	4,219	551	1,348	3,856	72	16,214	9,210	3,681	3,323
Net income (loss) before income taxes	5,856	1,217	593	456	2,536	(211)	10,447	8,035	1,669	743
Income taxes (recoveries)	1,476	331	(2)	117	836	(653)	2,105	1,709	396	–
Net income from continuing operations	4,380	886	595	339	1,700	442	8,342	6,326	1,273	743
Net income from discontinued operations	–	–	–	–	–	–	–	–	–	–
Net income	\$ 4,380	\$ 886	\$ 595	\$ 339	\$ 1,700	\$ 442	\$ 8,342	\$ 6,326	\$ 1,273	\$ 743
Non-interest expense includes:										
Depreciation and amortization	\$ 281	\$ 135	\$ 13	\$ 56	\$ 25	\$ 501	\$ 1,011	\$ 838	\$ 36	\$ 137
Impairment of other intangibles	1	–	–	5	–	4	10	10	–	–
Restructuring provisions	21	–	–	44	–	–	65	9	–	56
Total assets	\$363,894	\$ 23,361	\$12,275	\$ 90,621	\$358,036	\$ 11,558	\$ 859,745	\$ 494,306	\$ 181,703	\$ 183,736
Total assets include: Additions to property, plant, equipment and intangibles	\$ 468	\$ 90	\$ 13	\$ 35	\$ 107	\$ 517	\$ 1,230	\$ 966	\$ 132	\$ 132
Total liabilities	\$362,892	\$ 23,306	\$12,325	\$ 90,793	\$357,872	\$(36,903)	\$ 810,285	\$ 444,781	\$ 181,815	\$ 183,689

Note 30 Results by business segment (continued)

For the year ended October 31, 2012										
(Millions of Canadian dollars)	Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services	Capital Markets (1)	Corporate Support (1)	Total	Canada	United States	Other International
Net interest income (2), (3)	\$ 9,059	\$ 393	\$ –	\$ 612	\$ 2,559	\$ (184)	\$ 12,439	\$ 10,391	\$ 1,308	\$ 740
Non-interest income	3,379	4,442	4,897	293	3,629	68	16,708	9,059	3,569	4,080
Total revenue	12,438	4,835	4,897	905	6,188	(116)	29,147	19,450	4,877	4,820
Provision for credit losses	1,165	(1)	–	–	135	–	1,299	1,018	90	191
Insurance policyholder benefits, claims and acquisition expense	–	–	3,621	–	–	–	3,621	2,315	21	1,285
Non-interest expense	5,822	3,809	518	701	3,752	39	14,641	8,586	3,406	2,649
Net income (loss) before income taxes	5,451	1,027	758	204	2,301	(155)	9,586	7,531	1,360	695
Income taxes (recoveries)	1,395	274	45	102	725	(513)	2,028	1,527	521	(20)
Net income from continuing operations	4,056	753	713	102	1,576	358	7,558	6,004	839	715
Net income from discontinued operations	–	–	–	–	–	–	(51)	–	(51)	–
Net income	\$ 4,056	\$ 753	\$ 713	\$ 102	\$ 1,576	\$ 358	\$ 7,507	\$ 6,004	\$ 788	\$ 715
Non-interest expense includes:										
Depreciation and amortization	\$ 253	\$ 136	\$ 14	\$ 15	\$ 27	\$ 452	\$ 897	\$ 723	\$ 38	\$ 136
Impairment of other intangibles	–	–	–	–	–	–	–	–	–	–
Restructuring provisions	–	–	–	–	–	–	–	–	–	–
Total assets	\$342,514	\$ 21,993	\$ 12,322	\$ 77,255	\$ 355,153	\$ 14,717	\$ 823,954	\$ 457,386	\$ 173,179	\$ 193,389
Total assets include:										
Additions to property, plant, equipment and intangibles	\$ 240	\$ 133	\$ 11	\$ 304	\$ 128	\$ 877	\$ 1,693	\$ 1,069	\$ 145	\$ 479
Total liabilities	\$341,368	\$ 21,979	\$ 12,372	\$ 77,276	\$ 355,030	\$(28,992)	\$ 779,033	\$ 412,406	\$ 173,308	\$ 193,319

(1) Taxable equivalent basis (Teb).

(2) Inter-segment revenue and share of profits in associates are not material.

(3) Interest revenue is reported net of interest expense as management relies primarily on net interest income as a performance measure.

Revenue by business line

(Millions of Canadian dollars)	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
Personal Financial Services	\$ 7,285	\$ 6,948	\$ 6,591
Business Financial Services	3,135	2,990	2,894
Cards and Payment Solutions	2,449	2,282	2,129
Caribbean & U.S. Banking	861	799	824
Canadian Wealth Management	2,186	1,889	1,741
U.S. & International Wealth Management	2,430	2,225	1,977
Global Asset Management	1,697	1,373	1,117
Insurance	4,964	3,928	4,897
Investor & Treasury services	1,884	1,804	905
Corporate and Investment Banking	3,437	3,014	2,533
Global Markets	3,930	3,492	3,635
Other Capital Markets	(1)	74	20
Corporate Support	(149)	(136)	(116)
	\$ 34,108	\$ 30,682	\$ 29,147

Note 31 Nature and extent of risks arising from financial instruments

We are exposed to credit, market and liquidity and funding risks as a result of holding financial instruments. Our risk measurement and objectives, policies and methodologies for managing these risks are disclosed in the shaded text along with those tables specifically marked with an asterisk (*) on pages 52 to 77 of the Management's Discussion and Analysis. These shaded text and tables are an integral part of these Consolidated Financial Statements.

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

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

(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2014								
	Canada	%	United States	%	Europe	%	Other International	%	Total
On-balance sheet assets other than derivatives (1)	\$ 422,498	72%	\$ 79,140	14%	\$ 46,596	8%	\$ 36,031	6%	\$ 584,265
Derivatives before master netting agreement (2), (3)	12,825	9	23,039	16	102,368	70	7,009	5	145,241
	\$ 435,323	60%	\$ 102,179	14%	\$ 148,964	20%	\$ 43,040	6%	\$ 729,506
Off-balance sheet credit instruments (4)									
Committed and uncommitted (5)	\$ 224,849	62%	\$ 102,253	28%	\$ 28,312	8%	\$ 7,876	2%	\$ 363,290
Other	44,808	52	24,569	29	11,189	13	5,076	6	85,642
	\$ 269,657	60%	\$ 126,822	28%	\$ 39,501	9%	\$ 12,952	3%	\$ 448,932

(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2013 (6)								
	Canada	%	United States	%	Europe	%	Other International	%	Total
On-balance sheet assets other than derivatives (1)	\$ 401,206	74%	\$ 62,739	12%	\$ 42,935	8%	\$ 31,399	6%	\$ 538,279
Derivatives before master netting agreement (2), (3)	10,842	10	18,249	17	71,085	67	6,353	6	106,529
	\$ 412,048	64%	\$ 80,988	12%	\$ 114,020	18%	\$ 37,752	6%	\$ 644,808
Off-balance sheet credit instruments (4)									
Committed and uncommitted (5)	\$ 213,602	64%	\$ 86,834	26%	\$ 24,020	7%	\$ 8,242	3%	\$ 332,698
Other	43,173	55	20,840	27	11,361	14	3,188	4	78,562
	\$ 256,775	62%	\$ 107,674	26%	\$ 35,381	9%	\$ 11,430	3%	\$ 411,260

- (1) Includes assets purchased under reverse repurchase agreements and securities borrowed, loans and customers' liability under acceptances. The largest concentrations in Canada are Ontario at 46% (October 31, 2013 – 45%), the Prairies at 21% (October 31, 2013 – 21%), British Columbia and the territories at 16% (October 31, 2013 – 17%) and Quebec at 12% (October 31, 2013 – 12%). No industry accounts for more than 33% (October 31, 2013 – 31%) of total on-balance sheet credit instruments.
- (2) The largest concentration of credit exposure by counterparty type is banks at 36% (October 31, 2013 – 46%).
- (3) Excludes credit derivatives classified as other than trading.
- (4) Represents financial instruments with contractual amounts representing credit risk.
- (5) Retail and wholesale commitments comprise 38% (October 31, 2013 – 39%) and 62% (October 31, 2013 – 61%), respectively, of our total commitments. The largest sector concentrations in the wholesale portfolio relate to Energy at 18% (October 31, 2013 – 18%), Financing products at 14% (October 31, 2013 – 16%), Non-bank financial services at 9% (October 31, 2013 – 10%), Real estate and related at 9% (October 31, 2013 – 9%), and Technology and media at 7% (October 31, 2013 – 6%).
- (6) Certain amounts have been revised from results previously reported.

Note 32 Capital management

Regulatory capital and capital ratios

OSFI formally establishes risk-based capital targets for deposit-taking institutions in Canada. We are required to calculate our capital ratios and Assets-to-capital multiple using the Basel III framework. Under Basel III, regulatory capital includes Common Equity Tier 1 (CET1), Tier 1 and Tier 2 capital. CET1 capital mainly consists of common shares, retained earnings and other components of equity. Regulatory adjustments under Basel III include full deductions of intangibles (excluding mortgage servicing rights), certain deferred tax assets, defined benefit pension fund assets and liabilities, and non-significant investments in banking, financial and insurance entities. Tier 1 capital comprises predominantly CET1, with additional items that consist of capital instruments such as certain preferred shares, and certain non-controlling interests in subsidiaries. Tier 2 capital includes subordinated debentures that meet certain criteria and certain loan loss allowances. Total Capital is the sum of CET1, additional Tier 1 capital and Tier 2 capital. Regulatory capital ratios are calculated by dividing CET1, Tier 1 and Total capital by risk-weighted assets. The Assets-to-capital multiple is calculated by dividing gross adjusted assets by Total capital. During 2014 and 2013, we have complied with all capital requirements imposed by OSFI.

	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars, except percentage and multiple amounts)		
Capital		
Common Equity Tier 1 capital	\$ 36,406	\$ 30,541
Tier 1 capital	42,202	37,196
Total capital	50,020	44,716
Risk-weighted assets used in calculation of capital ratios (1), (2)		
Common Equity Tier 1 capital ratio	368,594	318,981
Tier 1 capital ratio	369,976	318,981
Total capital ratio	372,050	318,981
Total capital risk-weighted assets (1)		
Credit risk	\$ 286,327	\$ 232,641
Market risk	38,460	42,184
Operational risk	47,263	44,156
	\$ 372,050	\$ 318,981
Capital ratios and multiples (1)		
Common Equity Tier 1 capital ratio	9.9%	9.6%
Tier 1 capital ratio	11.4%	11.7%
Total capital ratio	13.4%	14.0%
Assets-to-capital multiple (3)	17.0X	16.6X

(1) Capital, risk-weighted assets and capital ratios and multiples are calculated using OSFI Capital Adequacy Requirements based on the Basel III framework.

(2) Effective third quarter, the credit valuation adjustment to our risk-weighted asset calculation implemented in the first quarter, must reflect different percentages for each tier of capital. This change reflects a phase-in of credit valuation adjustments ending in the fourth quarter of 2018. During this phase-in period, risk-weighted assets for CET1, Tier 1 capital and Total capital ratios will be subject to different annual credit valuation adjustment percentages.

(3) Gross adjusted assets as at October 31, 2014 were \$885 billion (October 31, 2013 – \$807 billion).

Note 33 Offsetting financial assets and financial liabilities

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

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

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

The table below provides the amount of financial instruments that have been offset on the Consolidated Balance Sheet and the amounts that do not qualify for offsetting but are subject to enforceable master netting arrangements or similar agreements. The amounts presented are not intended to represent our actual exposure to credit risk.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	As at October 31, 2014							
	Amounts subject to offsetting and enforceable netting arrangements			Amounts subject to master netting arrangements or similar agreements but do not qualify on offsetting on the balance sheet (1)			Total amount recognized on the balance sheet	
	Gross amounts of financial assets before balance sheet offsetting	Amounts of financial liabilities offset on the balance sheet	Net amount of financial assets presented on the balance sheet	Impact of master netting agreements	Financial collateral received (2)	Net amount		Amounts not subject to enforceable netting arrangements
Assets purchased under reverse repurchase agreements and securities borrowed	\$ 149,348	\$ 14,038	\$ 135,310	\$ 56	\$ 134,985	\$ 269	\$ 270	\$ 135,580
Derivative assets (3)	136,230	57,068	79,162	60,546	8,993	9,623	8,240	87,402
Other financial assets	1,264	1,240	24	–	–	24	–	24
	\$ 286,842	\$ 72,346	\$ 214,496	\$ 60,602	\$ 143,978	\$ 9,916	\$ 8,510	\$ 223,006

As at October 31, 2013								
Amounts subject to offsetting and enforceable netting arrangements								
				Amounts subject to master netting arrangements or similar agreements but do not qualify on offsetting on the balance sheet (1)				
	Gross amounts of financial assets before balance sheet offsetting	Amounts of financial liabilities offset on the balance sheet	Net amount of financial assets presented on the balance sheet	Impact of master netting agreements	Financial collateral received (2)	Net amount	Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
Assets purchased under reverse repurchase agreements and securities borrowed	\$ 127,549	\$ 11,156	\$ 116,393	\$ 41	\$ 116,013	\$ 339	\$ 1,124	\$ 117,517
Derivative assets (3)	98,878	31,190	67,688	51,653	8,459	7,576	7,134	74,822
Other financial assets	1,302	1,290	12	–	–	12	–	12
	\$ 227,729	\$ 43,636	\$ 184,093	\$ 51,694	\$ 124,472	\$ 7,927	\$ 8,258	\$ 192,351

(1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.

(2) Includes cash collateral of \$8,687 million (October 31, 2013 – \$6,027 million) and non-cash collaterals of \$135 billion (October 31, 2013 – \$118 billion).

(3) Includes cash margin of \$1,326 million (October 31, 2013 – \$988 million) which offset against the derivative balance on the balance sheet.

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at October 31, 2014								
Amounts subject to offsetting and enforceable netting arrangements								
				Amounts subject to master netting arrangements or similar agreements but do not qualify on offsetting on the balance sheet (1)				
	Gross amounts of financial liabilities before balance sheet offsetting	Amounts of financial assets offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Impact of master netting agreements	Financial collateral pledged (2)	Net amount	Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
Obligations related to assets sold under repurchase agreements and securities loaned	\$ 78,029	\$ 14,038	\$ 63,991	\$ 56	\$ 63,790	\$ 145	\$ 340	\$ 64,331
Derivative liabilities (3)	135,662	56,982	78,680	60,546	9,184	8,950	10,302	88,982
Other financial liabilities	1,381	1,326	55	–	–	55	–	55
	\$ 215,072	\$ 72,346	\$ 142,726	\$ 60,602	\$ 72,974	\$ 9,150	\$ 10,642	\$ 153,368

As at October 31, 2013								
Amounts subject to offsetting and enforceable netting arrangements								
				Amounts subject to master netting arrangements or similar agreements but do not qualify on offsetting on the balance sheet (1)				
	Gross amounts of financial liabilities before balance sheet offsetting	Amounts of financial assets offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Impact of master netting agreements	Financial collateral pledged (2)	Net amount	Amounts not subject to enforceable netting arrangements	Total amount recognized on the balance sheet
Obligations related to assets sold under repurchase agreements and securities loaned	\$ 70,306	\$ 11,155	\$ 59,151	\$ 41	\$ 59,024	\$ 86	\$ 1,265	\$ 60,416
Derivative liabilities (3)	99,122	31,493	67,629	51,653	8,040	7,936	9,116	76,745
Other financial liabilities	989	988	1	–	–	1	–	1
	\$ 170,417	\$ 43,636	\$ 126,781	\$ 51,694	\$ 67,064	\$ 8,023	\$ 10,381	\$ 137,162

(1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.

(2) Includes cash collateral of \$6,709 million (October 31, 2013 – \$6,281 million) and non-cash collateral of \$66 billion (October 31, 2013 – \$61 billion).

(3) Includes cash margin of \$1,240 million (October 31, 2013 – \$1,290 million) which offset against the derivative balance on the balance sheet.

Note 34 Recovery and settlement of on-balance sheet assets and liabilities

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

(Millions of Canadian dollars)	As at					
	October 31, 2014			October 31, 2013 ⁽¹⁾		
	Within one year	After one year	Total	Within one year	After one year	Total
Assets						
Cash and due from banks ⁽²⁾	\$ 16,649	\$ 772	\$ 17,421	\$ 13,665	\$ 1,885	\$ 15,550
Interest-bearing deposits with banks	7,494	905	8,399	5,732	3,307	9,039
Securities						
Trading securities ⁽³⁾	141,399	9,981	151,380	135,484	8,539	144,023
Available-for-sale securities	12,318	35,450	47,768	11,388	27,299	38,687
Assets purchased under reverse repurchase agreements and securities borrowed	126,451	9,129	135,580	104,860	12,657	117,517
Loans						
Retail	52,196	282,791	334,987	43,338	277,289	320,627
Wholesale	38,290	63,946	102,236	36,710	53,472	90,182
Allowance for loan losses			(1,994)			(1,959)
Segregated fund net assets	–	675	675	–	513	513
Other						
Customers' liability under acceptances	11,456	6	11,462	9,953	–	9,953
Derivatives ⁽³⁾	19,485	67,917	87,402	13,695	61,127	74,822
Premises and equipment, net	–	2,684	2,684	3	2,633	2,636
Goodwill	–	8,647	8,647	–	8,332	8,332
Other intangibles	–	2,775	2,775	–	2,777	2,777
Investments in joint ventures and associates	–	295	295	–	247	247
Employee benefit assets	–	138	138	–	161	161
Other assets	24,414	6,281	30,695	21,039	5,599	26,638
	\$ 450,152	\$ 492,392	\$ 940,550	\$ 395,867	\$ 465,837	\$ 859,745
Liabilities						
Deposits ⁽⁴⁾	\$ 451,065	\$ 163,035	\$ 614,100	\$ 392,645	\$ 170,434	\$ 563,079
Segregated fund net liabilities	–	675	675	–	513	513
Other						
Acceptances	11,456	6	11,462	9,953	–	9,953
Obligations related to securities sold short	46,125	4,220	50,345	44,231	2,897	47,128
Obligations related to assets sold under repurchase agreements and securities loaned	62,391	1,940	64,331	57,855	2,561	60,416
Derivatives ⁽³⁾	19,980	69,002	88,982	15,671	61,074	76,745
Insurance claims and policy benefit liabilities	135	8,429	8,564	338	7,696	8,034
Employee benefit liabilities	–	2,420	2,420	–	2,027	2,027
Other liabilities	25,228	12,081	37,309	24,204	10,743	34,947
Subordinated debentures	200	7,659	7,859	–	7,443	7,443
	\$ 616,580	\$ 269,467	\$ 886,047	\$ 544,897	\$ 265,388	\$ 810,285

(1) Certain amounts have been revised from those previously reported.

(2) Cash and due from banks are assumed to be recovered within one year, except for cash balances not available for use by the bank.

(3) Trading securities classified as at FVTPL and trading derivatives not designated in hedging relationships are presented as within one year as this best represents in most instances the short-term nature of our trading activities. Non-trading derivatives designated in hedging relationships are presented according to the recovery or settlement of the related hedged item.

(4) Demand deposits of \$289 billion (October 31, 2013 – \$264 billion) are presented as within one year due to their being repayable on demand or at short notice on a contractual basis. In practice, these deposits relate to a broad range of individuals and customer-types which form a stable base for our operations and liquidity needs.

Note 35 Parent company information

The following table presents information regarding the legal entity of Royal Bank of Canada with its subsidiaries presented on an equity accounted basis.

Condensed Balance Sheets

	As at	
	October 31 2014	October 31 2013
(Millions of Canadian dollars)		
Assets		
Cash and due from banks	\$ 7,333	\$ 3,561
Interest-bearing deposits with banks	5,788	2,707
Securities	111,159	100,574
Investments in bank subsidiaries and associated corporations	20,240	24,302
Investments in other subsidiaries and associated corporations	53,131	42,298
Assets purchased under reverse repurchase agreements	17,075	14,578
Loans, net of allowances for loan losses	407,440	384,906
Net balances due from bank subsidiaries	10,466	–
Other assets	120,052	105,219
	\$ 752,684	\$ 678,145
Liabilities and shareholders' equity		
Deposits	\$ 497,053	\$ 455,625
Net balances due to bank subsidiaries	–	4,892
Net balances due to other subsidiaries	56,146	35,899
Other liabilities	138,989	126,670
	692,188	623,086
Subordinated debentures	7,806	7,394
Shareholders' equity	52,690	47,665
	\$ 752,684	\$ 678,145

Condensed Statements of Income

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Millions of Canadian dollars)			
Interest income (1)	\$ 18,415	\$ 18,573	\$ 18,842
Interest expense	5,882	5,795	6,914
Net interest income	12,533	12,778	11,928
Non-interest income (2)	6,007	4,626	1,737
Total revenue	18,540	17,404	13,665
Provision for credit losses	1,010	1,147	1,139
Non-interest expense	7,801	7,304	6,974
Income before income taxes	9,729	8,953	5,552
Income taxes	2,283	1,537	1,423
Net income before equity in undistributed income of subsidiaries	7,446	7,416	4,129
Equity in undistributed income of subsidiaries	1,558	926	3,378
Net income	\$ 9,004	\$ 8,342	\$ 7,507

(1) Includes dividend income from investments in subsidiaries and associated corporations of \$10 million (2013 – \$1,313 million; 2012 – \$1,292 million).

(2) Includes gain from associated corporations of \$7 million (2013 – loss of \$9 million; 2012 – gain of \$2 million).

Condensed Statements of Cash Flows

	For the year ended		
	October 31 2014	October 31 2013	October 31 2012
(Millions of Canadian dollars)			
Cash flows from operating activities			
Net income	\$ 9,004	\$ 8,342	\$ 7,507
Adjustments to determine net cash from operating activities:			
Change in undistributed earnings of subsidiaries	(1,558)	(926)	(3,378)
Change in deposits	41,428	31,183	9,772
Change in loans, net of loan securitizations	(22,865)	(18,927)	(29,324)
Change in trading securities	(4,193)	(19,048)	9,440
Change in obligations related to assets sold under repurchase agreements and securities loaned	(2,712)	1,730	(229)
Change in assets purchased under reverse repurchase agreements and securities borrowed	(2,497)	(3,668)	(2,164)
Change in obligations related to securities sold short	(1,305)	388	(2,713)
Other operating activities, net	182	(8,210)	(2,571)
Net cash from (used in) operating activities	15,484	(9,136)	(13,660)
Cash flows from investing activities			
Change in interest-bearing deposits with banks	(3,081)	(1,548)	400
Proceeds from sale of available-for-sale securities	1,225	1,641	3,991
Proceeds from maturity of available-for-sale securities	28,875	28,056	28,994
Purchases of available-for-sale securities	(36,165)	(26,392)	(29,307)
Net acquisitions of premises and equipment and other intangibles	(803)	(754)	(867)
Change in cash invested in subsidiaries	(2,409)	(7,323)	163
Change in net funding provided to subsidiaries	4,889	20,164	10,158
Proceeds from sale of an associate	70	-	-
Net cash (used in) from investing activities	(7,399)	13,844	13,532
Cash flows from financing activities			
Issue of subordinated debentures	2,000	2,046	-
Repayment of subordinated debentures	(1,600)	(2,000)	(1,006)
Issue of preferred shares	1,000	-	-
Issuance costs	(14)	-	-
Redemption of preferred shares for cancellation	(1,525)	(222)	-
Issue of common shares	150	121	126
Redemption of common shares for cancellation	(113)	(408)	-
Dividends paid	(4,211)	(3,810)	(3,272)
Net cash used in financing activities	(4,313)	(4,273)	(4,152)
Net change in cash and due from banks	3,772	435	(4,280)
Cash and due from banks at beginning of year	3,561	3,126	7,406
Cash and due from banks at end of year	\$ 7,333	\$ 3,561	\$ 3,126
Supplemental disclosure of cash flow information			
Amount of interest paid in year	\$ 5,814	\$ 5,943	\$ 7,372
Amount of interest received in year	18,582	17,281	17,502
Amount of dividends received in year	10	1,313	1,302
Amount of income taxes paid in year	1,286	265	1,951

Note 36 Subsequent events

On November 14, 2014, all \$200 million outstanding 10% subordinated debentures matured. The maturity proceeds plus accrued interest were paid to the noteholders on the maturity date.

On November 24, 2014, we redeemed all 13 million of issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series AX for cash at a redemption price of \$25 per share.

Condensed Balance Sheet

(Millions of Canadian dollars)	IFRS				CGAAP						
	2014 (1)	2013 (1)	2012 (1)	2011	2011	2010	2009	2008	2007	2006	2005
Assets											
Cash and due from banks	\$ 17,421	\$ 15,550	\$ 12,428	\$ 12,428	\$ 13,247	\$ 8,440	\$ 7,584	\$ 11,086	\$ 4,226	\$ 4,401	\$ 5,001
Interest-bearing deposits with banks	8,399	9,039	10,246	6,460	12,181	13,254	8,919	20,041	11,881	10,502	5,237
Securities	199,148	182,710	161,602	167,022	179,558	183,519	177,298	171,134	178,255	184,869	160,495
Assets purchased under reverse repurchase agreements and securities borrowed	135,580	117,517	112,257	84,947	84,947	72,698	41,580	44,818	64,313	59,378	42,973
Loans net of allowance	435,229	408,850	378,241	347,530	296,284	273,006	258,395	289,540	237,936	208,530	190,416
Other	144,773	126,079	149,180	175,446	165,485	175,289	161,213	187,240	103,735	69,100	65,399
Total Assets	\$ 940,550	\$ 859,745	\$ 823,954	\$ 793,833	\$ 751,702	\$ 726,206	\$ 654,989	\$ 723,859	\$ 600,346	\$ 536,780	\$ 469,521
Liabilities											
Deposits	\$ 614,100	\$ 563,079	\$ 512,244	\$ 479,102	\$ 444,181	\$ 414,561	\$ 378,457	\$ 438,575	\$ 365,205	\$ 343,523	\$ 306,860
Other	264,088	239,763	259,174	263,625	256,124	263,030	229,699	242,744	201,404	160,575	131,003
Subordinated debentures	7,859	7,443	7,615	8,749	7,749	6,681	6,461	8,131	6,235	7,103	8,167
Trust capital securities	–	–	–	894	–	727	1,395	1,400	1,400	1,383	1,400
Preferred shares liabilities	–	–	–	–	–	–	–	–	300	298	300
Non-controlling interest in subsidiaries	–	n.a.	n.a.	n.a.	1,941	2,256	2,071	2,371	1,483	1,775	1,944
Total Liabilities	886,047	810,285	779,033	752,370	709,995	687,255	618,083	693,221	576,027	514,657	449,674
Equity attributable to shareholders	52,690	47,665	43,160	39,702	41,707	38,951	36,906	30,638	24,319	22,123	19,847
Non-controlling interest	1,813	1,795	1,761	1,761	n.a.						
Total equity	54,503	49,460	44,921	41,463	41,707	38,951	36,906	30,638	24,319	22,123	19,847
Total liabilities and equity	\$ 940,550	\$ 859,745	\$ 823,954	\$ 793,833	\$ 751,702	\$ 726,206	\$ 654,989	\$ 723,859	\$ 600,346	\$ 536,780	\$ 469,521

Condensed Income Statement

(Millions of Canadian dollars)	IFRS				CGAAP						
	2014	2013	2012	2011	2011	2010	2009	2008	2007	2006	2005
Net interest income	\$ 14,116	\$ 13,249	\$ 12,439	\$ 11,357	\$ 10,600	\$ 10,338	\$ 10,705	\$ 9,054	\$ 7,700	\$ 6,796	\$ 6,793
Non-interest income	19,992	17,433	16,708	16,281	16,830	15,744	15,736	12,528	14,762	13,481	12,391
Total revenue	34,108	30,682	29,147	27,638	27,430	26,082	26,441	21,582	22,462	20,637	19,184
Provision for credit losses (PCL)	1,164	1,237	1,299	1,133	975	1,240	2,167	1,595	791	429	455
Insurance policyholder benefits, claims and acquisition expense	3,573	2,784	3,621	3,358	3,360	3,546	3,042	1,631	2,173	2,509	2,625
Non-interest expense (NIE)	17,661	16,214	14,641	14,167	14,453	13,469	13,436	12,351	12,473	11,495	11,402
Non-controlling interest	n.a.	n.a.	n.a.	n.a.	104	99	100	81	141	44	(13)
Net income from continuing operations	9,004	8,342	7,558	6,970	6,650	5,732	5,681	4,555	5,492	4,757	3,437
Net loss from discontinued operations	–	–	(51)	(526)	(1,798)	(509)	(1,823)	–	–	(29)	(50)
Net income	9,004	8,342	7,507	6,444	4,852	5,223	3,858	4,555	5,492	4,728	3,387

(1) Current and two preceding periods reflect changes in accounting standards and presentation changes as disclosed in Note 2 of our Annual Consolidated Financial Statements.

Other Statistics – reported

(Millions of Canadian dollars, except percentages and per share amounts)

	IFRS				CGAAP							
	2014 (1)	2013 (1)	2012 (1)	2011	2011	2010	2009	2008	2007	2006	2005	
PROFITABILITY MEASURES (2)												
Earnings per shares (EPS)												
– basic	\$ 6.03	\$ 5.53	\$ 4.96	\$ 4.25	\$ 3.21	\$ 3.49	\$ 2.59	\$ 3.41	\$ 4.24	\$ 3.65	\$ 2.61	
– diluted	\$ 6.00	\$ 5.49	\$ 4.91	\$ 4.19	\$ 3.19	\$ 3.46	\$ 2.57	\$ 3.38	\$ 4.19	\$ 3.59	\$ 2.57	
Return on common equity (ROE)	19.0%	19.7%	19.6%	18.7%	12.9%	14.9%	11.9%	18.1%	24.7%	23.5%	18.0%	
Return on risk-weighted assets (RWA)	2.52%	2.67%	2.70%	2.44%	1.87%	2.03%	1.50%	1.78%	2.23%	2.21%	1.77%	
Efficiency ratio (3)	51.8%	52.8%	50.2%	51.3%	52.7%	51.6%	50.8%	57.2%	55.5%	55.7%	59.2%	
KEY RATIOS												
PCL on impaired loans as a % of Average net loans and acceptances	0.27%	0.31%	0.35%	0.33%	0.34%	0.45%	0.72%	0.53%	0.33%	0.23%	0.21%	
Net interest margin (total average assets)	1.56%	1.56%	1.55%	1.52%	1.49%	1.59%	1.64%	1.39%	1.33%	1.35%	1.53%	
Non-interest income as a % of total revenue	58.6%	56.8%	57.3%	58.9%	61.4%	60.4%	59.5%	58.0%	65.7%	67.1%	64.6%	
SHARE INFORMATION (2)												
Common shares outstanding (000s) – end of period	1,442,233	1,441,056	1,445,303	1,438,376	1,438,376	1,424,922	1,417,610	1,341,260	1,276,260	1,280,890	1,293,502	
Dividends declared per common share	\$ 2.84	\$ 2.53	\$ 2.28	\$ 2.08	\$ 2.08	\$ 2.00	\$ 2.00	\$ 2.00	\$ 1.82	\$ 1.44	\$ 1.18	
Dividend yield	3.8%	4.0%	4.5%	3.9%	3.9%	3.6%	4.8%	4.2%	3.3%	3.1%	3.2%	
Dividend payout ratio (3)	47%	46%	46%	45%	47%	52%	52%	59%	43%	40%	45%	
Book value per share	\$ 33.69	\$ 29.87	\$ 26.52	\$ 24.25	\$ 25.65	\$ 23.99	\$ 22.67	\$ 20.90	\$ 17.49	\$ 16.52	\$ 14.89	
Common share price (RY on TSX) – close, end of period	\$ 80.01	\$ 70.02	\$ 56.94	\$ 48.62	\$ 48.62	\$ 54.39	\$ 54.80	\$ 46.84	\$ 56.04	\$ 49.80	\$ 41.67	
Market capitalization (TSX)	115,393	100,903	82,296	69,934	69,934	77,502	77,685	62,825	71,522	63,788	53,894	
Market price to book value	2.38	2.34	2.15	2.00	1.90	2.27	2.42	2.24	3.20	3.01	2.80	
CAPITAL MEASURES - CONSOLIDATED (4)												
Common Equity Tier 1 capital ratio	9.9%	9.6%	n.a.									
Tier 1 capital ratio	11.4%	11.7%	13.1%	n.a.	13.3%	13.0%	13.0%	9.0%	9.4%	9.6%	9.6%	
Total capital ratio	13.4%	14.0%	15.1%	n.a.	15.3%	14.4%	14.2%	11.0%	11.5%	11.9%	13.1%	
Assets-to-capital multiple	17.0X	16.6X	16.7X	n.a.	16.1X	16.5X	16.3X	20.1X	20.0X	19.7X	17.6X	

(1) Current and two preceding periods reflect changes in accounting standards and presentation changes as disclosed in Note 2 of our Annual Consolidated Financial Statements.

(2) On April 6, 2006, we paid a stock dividend of one common share on each of our issued and outstanding common shares. The effect was the same as two-for-one split of our common shares. All common share and per share information have been adjusted retroactively for the stock dividend.

(3) Ratios for 2009-2012 represent continuing operations.

(4) Effective 2013 we calculate the capital ratios and multiples using the Basel III (all-in basis) framework unless otherwise stated. 2008-2012 capital ratios and multiples were calculated using the Basel II framework. 2004-2007 capital ratios and 2005-2007 asset-to-capital multiples were calculated using the Basel I framework. Capital ratios and multiples prior to 2011 were determined under Canadian GAAP.

Acceptances

A bill of exchange or negotiable instrument drawn by the borrower for payment at maturity and accepted by a bank. The acceptance constitutes a guarantee of payment by the bank and can be traded in the money market. The bank earns a “stamping fee” for providing this guarantee.

Allowance for credit losses

The amount deemed adequate by management to absorb identified credit losses as well as losses that have been incurred but are not yet identifiable as at the balance sheet date. This allowance is established to cover the lending portfolio including loans, acceptances, guarantees, letters of credit, and unfunded commitments. The allowance is increased by the provision for credit losses, which is charged to income and decreased by the amount of write-offs, net of recoveries in the period.

Alt-A assets

A term used in the U.S. to describe assets (mainly mortgages) with a borrower risk profile between the prime and subprime categorizations. Categorization of assets as Alt-A (as opposed to prime) varies, such as limited verification or documentation of borrowers' income or a limited credit history.

Asset-backed securities (ABS)

Securities created through the securitization of a pool of assets, for example auto loans or credit card loans.

Assets-to-capital multiple (ACM)

Total assets plus specified off-balance sheet items, as defined by OSFI, divided by total regulatory capital on a transitional basis. ACM will be replaced in 2015 by the Basel III Leverage Ratio.

Assets under administration (AUA)

Assets administered by us, which are beneficially owned by clients, as at October 31, unless otherwise noted. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sale transactions, and record keeping.

Assets under management (AUM)

Assets managed by us, which are beneficially owned by clients, as at October 31, unless otherwise noted. Services provided in respect

of assets under management include the selection of investments and the provision of investment advice. We have assets under management that are also administered by us and included in assets under administration.

Auction rate securities (ARS)

Securities issued through structured entities that hold long-term assets funded with long-term debt. In the U.S., these securities are issued by sponsors such as municipalities, student loan authorities or other sponsors through bank-managed auctions.

Average earning assets

Average earning assets include interest-bearing deposits with other banks including certain components of cash and due from banks, securities, assets purchased under reverse repurchase agreements and securities borrowed, loans, and excludes segregated fund net assets and other assets. The averages are based on the daily balances for the period.

Bank-owned life insurance contracts (BOLI)

Our legacy portfolio includes BOLI where we provided banks with BOLI stable value agreements (“wraps”), which insure the life insurance policy's cash surrender value from market fluctuations on the underlying investments, thereby allowing us to guarantee a minimum tax-exempt return to the counterparty. These wraps allow us to account for the underlying assets on an accrual basis instead of a mark-to-market basis.

Basis point (bp)

One one-hundredth of a percentage point (.01%).

Collateral

Assets pledged as security for a loan or other obligation. Collateral can take many forms, such as cash, highly rated securities, property, inventory, equipment and receivables.

Collateralized debt obligation (CDO)

Securities with multiple tranches that are issued by structured entities and collateralized by debt obligations including bonds and loans. Each tranche offers a varying degree of risk and return so as to meet investor demand.

Commercial mortgage-backed securities (CMBS)

Securities created through the securitization of commercial mortgages.

Commitments to extend credit

Unutilized amount of credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing, or through off-balance sheet products such as guarantees and letters of credit.

Common Equity Tier 1 (CET1) capital

A regulatory Basel III capital measure comprised mainly of common shareholders' equity less regulatory deductions and adjustments for goodwill and intangibles, defined benefit pension fund assets, shortfall in allowances and other specified items.

Common Equity Tier 1 capital ratio

A risk-based capital measure calculated as CET1 capital divided by risk-weighted assets.

Covered bonds

Full recourse on-balance sheet obligations issued by banks and credit institutions that are also fully collateralized by assets over which investors enjoy a priority claim in the event of an issuer's insolvency.

Credit default swaps (CDS)

A derivative contract that provides the purchaser with a one-time payment should the referenced entity/entities default (or a similar triggering event occur).

Derivative

A contract between two parties, which requires little or no initial investment and where payments between the parties are dependent upon the movements in price of an underlying instrument, index or financial rate. 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.

Dividend payout ratio

Common dividends as a percentage of net income available to common shareholders.

Earnings per share (EPS), basic

Calculated as net income available to common shareholders divided by the average number of shares outstanding.

Earnings per share (EPS), diluted

Calculated as net income available to common shareholders divided by the average number of shares outstanding adjusted for the dilutive effects of stock options and other convertible securities.

Economic capital

An estimate of the amount of equity capital required to underpin risks. It is calculated by estimating the level of capital that is necessary to support our various businesses, given their risks, consistent with our desired solvency standard and credit ratings. The identified risks for which we calculate Economic Capital are credit, market (trading and non-trading), operational, business, fixed asset, and insurance. Additionally, Economic Capital includes goodwill and intangibles, and allows for diversification benefits across risks and business segments.

Fair value

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Funding Valuation Adjustment

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

Gross-adjusted assets (GAA)

GAA are used in the calculation of the Assets-to-capital multiple. They represent our total assets including specified off-balance sheet items and net of prescribed deductions. Off balance sheet items for this calculation are direct credit substitutes, including letters of credit and guarantees, transaction-related contingencies, trade-related contingencies and sale and repurchase agreements.

Guarantees and standby letters of credit

These primarily represent irrevocable assurances that a bank will make payments in the event that its client cannot meet its financial obligations to third parties. Certain other guarantees, such as bid and performance bonds, represent non-financial undertakings.

Hedge

A risk management technique used to mitigate exposure from market, interest rate or foreign currency exchange risk arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset with liabilities in the same currencies or through the use of foreign exchange hedging instruments such as futures, options or foreign exchange contracts.

Hedge funds

A type of investment fund, marketed to accredited high net worth investors, that is subject to limited regulation and restrictions on its investments compared to retail mutual funds, and that often utilize aggressive strategies such as selling short, leverage, program trading, swaps, arbitrage and derivatives.

Home equity products

This is comprised of residential mortgages and secured personal loans whereby the borrower pledges real estate as collateral.

International Financial Reporting Standards (IFRS)

IFRS are principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board.

Impaired loans

Loans are classified as impaired when there has been a deterioration of credit quality to the extent that management no longer has reasonable assurance of timely collection of the full amount of principal and interest in accordance with the contractual terms of the loan agreement. Credit card balances are not classified as impaired as they are directly written off after payments are 180 days past due.

Leverage Ratio

A Basel III regulatory measure, the ratio divides Tier 1 capital by the sum of total assets plus specified off-balance sheet items.

Loan-to-value (LTV) ratio

Calculated based on the total facility amount for the residential mortgage and homeline product divided by the value of the related residential property.

Master netting agreement

An agreement between us and a counterparty designed to reduce the credit risk of multiple derivative transactions through the creation of a legal right of offset of exposure in the event of a default.

Net interest income

The difference between what is earned on assets such as loans and securities and what is paid on liabilities such as deposits and subordinated debentures.

Net interest margin (average assets)

Net interest income as a percentage of total average assets.

Net interest margin (on average earning assets)

Calculated as net interest income divided by average earning assets.

Normal course issuer bid (NCIB)

A program for the repurchase of our own shares for cancellation through a stock exchange that is subject to the various rules of the relevant stock exchange and securities commission.

Notional amount

The contract amount used as a reference point to calculate payments for derivatives.

Off-balance sheet financial instruments

A variety of arrangements offered to clients, which include credit derivatives, written put options, backstop liquidity facilities, stable value products, financial standby letters of credit, performance guarantees, credit enhancements, mortgage loans sold with recourse, commitments to extend credit, securities lending, documentary and commercial letters of credit, note issuances and revolving underwriting facilities, securities lending indemnifications and indemnifications.

Office of the Superintendent of Financial Institutions Canada (OSFI)

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

Operating leverage

The difference between our revenue growth rate and non-interest expense growth rate.

Options

A contract or a provision of a contract that gives one party (the option holder) the right, but not the obligation, to perform a specified transaction with another party (the option issuer or option writer) according to specified terms.

Primary dealer

A formal designation provided to a bank or securities broker-dealer permitted to trade directly with a country's central bank. Primary dealers participate in open market operations, act as market-makers of government debt and provide market information and analysis to assist with monetary policy.

Provision for credit losses (PCL)

The amount charged to income necessary to bring the allowance for credit losses to a level determined appropriate by management. This includes both specific and general provisions.

Repurchase agreements

These involve the sale of securities for cash and the simultaneous repurchase of the securities for value at a later date. These transactions normally do not constitute economic sales and therefore are treated as collateralized financing transactions.

Residential mortgage-backed securities (RMBS)

Securities created through the securitization of residential mortgage loans.

Return on common equity (ROE)

Net income available to common shareholders, expressed as a percentage of average common equity.

Reverse repurchase agreements

These involve the purchase of securities for cash and the simultaneous sale of the securities for value at a later date. These transactions normally do not constitute economic sales and therefore are treated as collateralized financing transactions.

Risk-weighted assets (RWA)

Assets adjusted by a regulatory risk-weight factor to reflect the riskiness of on and off-balance sheet exposures. Certain assets are not risk-weighted, but deducted from capital. The calculation is defined by guidelines issued by OSFI. For more details, refer to the Capital management section.

Securities lending

Transactions in which the owner of a security agrees to lend it under the terms of a prearranged contract to a borrower for a fee. The borrower must collateralize the security loan at all times. An intermediary such as a bank often acts as agent for the owner of the security. There are two types of securities lending arrangements: lending with and without credit or market risk indemnification. In securities lending without indemnification, the bank bears no risk of loss. For transactions in which the bank provides an indemnification, it bears the risk of loss if the borrower defaults and the value of the collateral declines concurrently.

Securities sold short

A transaction in which the seller sells securities and then borrows the securities in order to deliver them to the purchaser upon settlement. At a later date, the seller buys identical securities in the market to replace the borrowed securities.

Securitization

The process by which various financial assets are packaged into newly issued securities backed by these assets.

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the activities that significantly affect the entity's returns are directed by means of contractual arrangements. Structured entities often have restricted activities, narrow and well defined objectives, insufficient equity to finance their activities, and financing in the form of multiple contractually-linked instruments.

Standardized Approach

Risk weights prescribed by OSFI are used to calculate risk-weighted assets for the credit risk exposures. Credit assessments by OSFI-recognized external credit rating agencies of S&P, Moody's, Fitch and DBRS are used to risk-weight our Sovereign and Bank exposures based on the standards and guidelines issued by OSFI. For our Business and Retail exposures, we use the standard risk weights prescribed by OSFI.

Structured investment vehicle

Managed investment vehicle that holds mainly highly rated asset-backed securities and funds itself using the short-term commercial paper market as well as the medium-term note (MTN) market.

Subprime loans

Subprime lending is the practice of making loans to borrowers who do not qualify for the best market interest rates because of their deficient credit history. Subprime lending carries more risk for lenders due to the combination of higher interest rates for the borrowers, poorer credit histories, and adverse financial situations usually associated with subprime applicants.

Taxable equivalent basis (teb)

Income from certain specified tax advantaged sources is increased to a level that would make it comparable to income from taxable sources. There is an offsetting adjustment in the tax provision, thereby generating the same after-tax net income.

Tier 1 capital

Tier 1 capital comprises predominantly of CET1 capital, with additional Tier 1 items such as preferred shares, innovative instruments and non-controlling interests in subsidiaries Tier 1 instruments.

Tier 2 capital

Tier 2 capital consists mainly of subordinated debentures that meet certain criteria, certain loan loss allowances and non-controlling interests in subsidiaries' Tier 2 instruments.

Total capital and total capital ratio

Total capital is defined as the total of Tier 1 and Tier 2 capital. The total capital ratio is calculated by dividing total capital by risk-weighted assets.

Tranche

A security class created whereby the risks and returns associated with a pool of assets are packaged into several classes of securities offering different risk and return profiles from those of the underlying asset pool. Tranches are typically rated by ratings agencies, and reflect both the credit quality of underlying collateral as well as the level of protection based on the tranches' relative subordination.

Trust Capital Securities (RBC TruCS)

Transferable trust units issued by structured entities RBC Capital Trust or RBC Capital Trust II for the purpose of raising innovative Tier 1 capital.

Value-at-Risk (VaR)

A generally accepted risk-measurement concept that uses statistical models based on historical information to estimate within a given level of confidence the maximum loss in market value we would experience in our trading portfolio from an adverse one-day movement in market rates and prices.

Directors and executive officers

Directors ⁽¹⁾

W. Geoffrey Beattie (2001)
Toronto, Ontario
Chief Executive Officer
Generation Capital

Jacynthe Côté (2014)
Montreal, Quebec
Corporate Director

David F. Denison, O.C., FCPA,
FCA (2012)
Toronto, Ontario
Corporate Director

Richard L. George, O.C. (2012)
Calgary, Alberta
Partner, Novo Investment Group

Timothy J. Hearn (2006)
Calgary, Alberta
Chairman
Hearn & Associates

Alice D. Laberge (2005)
Vancouver, British Columbia
Corporate Director

Michael H. McCain (2005)
Toronto, Ontario
President and Chief
Executive Officer
Maple Leaf Foods Inc.

David I. McKay (2014)
Toronto, Ontario
President and Chief
Executive Officer
Royal Bank of Canada

Heather Munroe-Blum,
O.C., O.Q., Ph.D., FRSC (2011)
Montreal, Quebec
Professor of Medicine and
Principal Emerita
McGill University

J. Pedro Reinhard (2000)
Key Biscayne, Florida
President
Reinhard & Associates

Thomas A. Renyi (2013)
New Harbor, Maine
Corporate Director

Edward Sonshine, O.Ont., Q.C.
(2008)
Toronto, Ontario
Chief Executive Officer
RioCan Real Estate
Investment Trust

Kathleen P. Taylor (2001)
Toronto, Ontario
Chair of the Board
Royal Bank of Canada

Bridget A. van Kralingen (2011)
New York, New York
Senior Vice President
IBM Global Business Services
IBM Corporation

Victor L. Young, O.C. (1991)
St. John's, Newfoundland
and Labrador
Corporate Director

The date appearing after the name of each director indicates the year in which the individual became a director.

(1) On December 2, 2014, the Board of Directors appointed Toos N. Daruvala as a director, to take effect on January 1, 2015. Mr. Daruvala is a Director and Senior Partner of McKinsey & Company based in New York City, U.S.A.

Group Executive

Janice R. Fukakusa, FCPA, FCA
Chief Administrative Officer and
Chief Financial Officer

Zabeen Hirji
Chief Human Resources Officer

Mark Hughes
Chief Risk Officer

M. George Lewis, FCPA, FCA,
CFA
Group Head, Wealth
Management and Insurance

A. Douglas McGregor
Group Head, Capital Markets
and Investor & Treasury Services

David I. McKay
President and
Chief Executive Officer

Bruce Ross
Group Head, Technology &
Operations

Jennifer Tory
Group Head, Personal &
Commercial Banking

Principal subsidiaries

Principal subsidiaries (1)	Principal office address (2)	Carrying value of voting shares owned by the Bank (3)
Royal Bank Holding Inc.	Toronto, Ontario, Canada	\$ 40,630
Royal Mutual Funds Inc.	Toronto, Ontario, Canada	
RBC Insurance Holdings Inc.	Mississauga, Ontario, Canada	
RBC General Insurance Company	Mississauga, Ontario, Canada	
RBC Insurance Company of Canada	Mississauga, Ontario, Canada	
RBC Life Insurance Company	Mississauga, Ontario, Canada	
RBC Direct Investing Inc.	Toronto, Ontario, Canada	
RBC Phillips, Hager & North Investment Counsel Inc.	Toronto, Ontario, Canada	
R.B.C. Holdings (Bahamas) Limited	Nassau, New Providence, Bahamas	
RBC Caribbean Investments Limited	George Town, Grand Cayman, Cayman Islands	
Royal Bank of Canada Insurance Company Ltd.	St. Michael, Barbados	
Investment Holdings (Cayman) Limited	George Town, Grand Cayman, Cayman Islands	
RBC (Barbados) Funding Ltd.	St. Michael, Barbados	
RBC Capital Markets Arbitrage S.A.	Luxembourg, Luxembourg	
Capital Funding Alberta Limited	Calgary, Alberta, Canada	
RBC Global Asset Management Inc.	Toronto, Ontario, Canada	
RBC Investor Services Trust	Toronto, Ontario, Canada	
RBC Investor Services Bank S.A.	Esch-sur-Alzette, Luxembourg	
RBC (Barbados) Trading Bank Corporation	St. James, Barbados	
RBC USA Holdco Corporation (2)	New York, New York, U.S.	11,305
RBC Capital Markets, LLC (2)	New York, New York, U.S.	
RBC Global Asset Management (U.S.) Inc.	Minneapolis, Minnesota, U.S.	
RBC Dominion Securities Limited	Toronto, Ontario, Canada	6,499
RBC Dominion Securities Inc.	Toronto, Ontario, Canada	
RBC Holdings (Barbados) Ltd.	St. Michael, Barbados	2,910
RBC Financial (Caribbean) Limited	Port of Spain, Trinidad and Tobago	
RBC Finance S.à r.l./B.V. (2)	Amsterdam, Netherlands	2,816
RBC Holdings (Luxembourg) S.A R.L.	Luxembourg, Luxembourg	
RBC Holdings (Channel Islands) Limited	Jersey, Channel Islands	
Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands	
BlueBay Asset Management (Services) Ltd	London, England	1,962
RBC Europe Limited	London, England	1,648
RBC Capital Trust	Toronto, Ontario, Canada	1,783
Royal Bank Mortgage Corporation	Toronto, Ontario, Canada	1,085
The Royal Trust Company	Montreal, Quebec, Canada	531
RBC Bank (Georgia), National Association (2)	Atlanta, Georgia, U.S.	272
RBC Covered Bond Guarantor Limited Partnership	Toronto, Ontario, Canada	269
RBC Luxembourg (Suisse) Holdings S.A R.L.	Luxembourg, Luxembourg	167
Royal Bank of Canada (Suisse) SA	Geneva, Switzerland	
Royal Trust Corporation of Canada	Toronto, Ontario, Canada	150

(1) The Bank directly or indirectly controls each subsidiary.

(2) Each subsidiary is incorporated or organized under the law of the state or country in which the principal office is situated, except for RBC USA Holdco Corporation which is incorporated under the laws of the State of Delaware, U.S., RBC Capital Markets, LLC, which is organized under the laws of the State of Minnesota, U.S. RBC Finance S.à r.l. / B.V. is a company incorporated in the Netherlands with its official seat in Amsterdam, the Netherlands, and place of effective management, central administration, and principal establishment in Luxembourg, Grand Duchy of Luxembourg. RBC Bank (Georgia), National Association is a national banking association organized under the laws of the U.S. with its main office in Atlanta, Georgia and management offices in Raleigh, North Carolina.

(3) The carrying value (in millions of dollars) of voting shares is stated as the Bank's equity in such investments.

Shareholder Information

Corporate headquarters

Street address:
Royal Bank of Canada
200 Bay Street
Toronto, Ontario M5J 2J5
Canada
Tel: 1-888-212-5533
Fax: 416-955-7800

Mailing address:

P.O. Box 1
Royal Bank Plaza
Toronto, Ontario M5J 2J5
Canada
website: rbc.com

Transfer Agent and Registrar

Main Agent:
Computershare Trust Company of
Canada
1500 University Street
Suite 700
Montreal, Quebec H3A 3S8
Canada
Tel: 1-866-586-7635 (Canada and
the U.S.) or 514-982-7555
(International)
Fax: 514-982-7580
website: computershare.com\rbc

Co-Transfer Agent (U.S.):
Computershare Trust
Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
U.S.A.

Co-Transfer Agent (U.K.):
Computershare Investor
Services PLC
Securities Services – Registrars
P.O. Box 82, The Pavilions,
Bridgwater Road,
Bristol BS99 6ZZ
U.K.

Stock exchange listings

(Symbol: RY)

Common shares are listed on:
Canada – Toronto Stock
Exchange (TSX)
U.S. – New York Stock Exchange
(NYSE)
Switzerland – Swiss Exchange
(SIX)

All preferred shares are listed on
the TSX.

Valuation day price

For capital gains purposes, the
Valuation Day (December 22,
1971) cost base for our common
shares is \$7.38 per share. This
amount has been adjusted to
reflect the two-for-one share split
of March 1981 and the two-for-
one share split of February 1990.
The one-for-one share dividends
paid in October 2000 and April
2006 did not affect the Valuation
Day value for our common
shares.

Shareholder contacts

For dividend information, change
in share registration or address,
lost stock certificates, tax forms,
estate transfers or dividend
reinvestment, please contact:
Computershare Trust Company of
Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Canada

Tel: 1-866-586-7635 (Canada and
the U.S.) or 514-982-7555
(International)
Fax: 1-888-453-0330 (Canada and
the U.S.) or 416-263-9394
(International)
email: service@computershare.com

For other shareholder inquiries,
please contact:

Shareholder Relations
Royal Bank of Canada
200 Bay Street
9th Floor, South Tower
Toronto, Ontario M5J 2J5
Canada
Tel: 416-955-7806
Fax: 416-974-3535

Financial analysts, portfolio managers, institutional investors

For financial information inquiries,
please contact:
Investor Relations
Royal Bank of Canada
200 Bay Street
4th Floor, North Tower
Toronto, Ontario M5J 2W7
Canada
Tel: 416-955-7802
Fax: 416-955-7800
or visit our website at
rbc.com/investorrelations

Direct deposit service

Shareholders in Canada and the
U.S. may have their RBC common
share dividends deposited directly
to their bank account by electronic
funds transfer. To arrange for this
service, please contact our
Transfer Agent and Registrar,
Computershare Trust Company of
Canada.

Eligible dividend designation

For purposes of the enhanced
dividend tax credit rules
contained in the *Income Tax Act*
(Canada) and any corresponding
provincial and territorial tax
legislation, all dividends (and
deemed dividends) paid by us to
Canadian residents on our
common and preferred shares
after December 31, 2005, are
designated as “eligible
dividends.”

Dividend dates for 2015

Subject to approval by the Board of Directors

	Ex-dividend dates	Record dates	Payment dates
Common and preferred shares series W, AA, AB, AC, AD, AE, AF, AG, AJ, AK, AL, AZ and BB	January 22 April 21 July 23 October 22	January 26 April 23 July 27 October 26	February 24 May 22 August 24 November 24

Governance

A summary of the significant ways in which corporate governance
practices followed by RBC differ from corporate governance practices
required to be followed by U.S. domestic companies under the New
York Stock Exchange listing standards is available on our website at
rbc.com/governance.

Unless stated
otherwise, all dividends (and
deemed dividends) paid by us
hereafter are designated as
“eligible dividends” for the
purposes of such rules.

Common share repurchases

We are engaged in a Normal
Course Issuer Bid (NCIB). During
the one-year period commencing
November 1, 2014, we may
repurchase for cancellation, up to
12 million common shares in the
open market at market prices. We
determine the amount and timing
of the purchases under the NCIB,
subject to prior consultation with
the Office of the Superintendent
of Financial Institutions Canada
(OSFI).

A copy of our Notice of Intention
to file a NCIB may be obtained,
without charge, by contacting our
Corporate Secretary at our
Toronto mailing address.

2015 Quarterly earnings release dates

First quarter	February 25
Second quarter	May 28
Third quarter	August 26
Fourth quarter	December 2

2015 Annual Meeting

The Annual Meeting of Common
Shareholders will be held on
Friday, April 10, 2015 in Toronto,
Ontario, Canada.

Information contained in or otherwise accessible through the websites mentioned in this report to shareholders does not form a part of this report. All references to websites are inactive textual references and are for your information only.

Trademarks used in this report include the LION & GLOBE Symbol, ROYAL BANK OF CANADA, RBC, RBC BLUE WATER PROJECT, RBC CAPITAL TRUST, RBC GLOBAL ASSET MANAGEMENT, RBC INSURANCE, RBC TSNS, RBC TruCS and RBC WEALTH MANAGEMENT which are trademarks of Royal Bank of Canada used by Royal Bank of Canada and/or by its subsidiaries under license. All other trademarks mentioned in this report, which are not the property of Royal Bank of Canada, are owned by their respective holders.

Thanks to our employees who chose the cover for this annual report. More than 7,000 employees from around the world voted, and many took the time to share their comments and pride in RBC.

**ALWAYS EARNING
THE RIGHT TO
BE OUR CLIENTS'
FIRST CHOICE**

8. Pricing

The Pricing must be submitted separately. Include a page as a placeholder. For applicants to the Senior Pool, include on the placeholder page: "Pricing submitted separately in a separate, sealed envelope with disc or USB in Packet #2." For applicants to the Co-Manager Pool, include on the placeholder page: "Applicant to Co-Manager Pool – Pricing not required."

Pricing submitted separately in a separate, sealed envelope with disc in Packet #2.

9. Deal Lists, Resumes and References

Deal Lists requested for Tab 4(a) and Resumes and References requested for Tab 4(b) may be included in this Tab 9 without counting against the 17-page limit for Tabs 3-6.

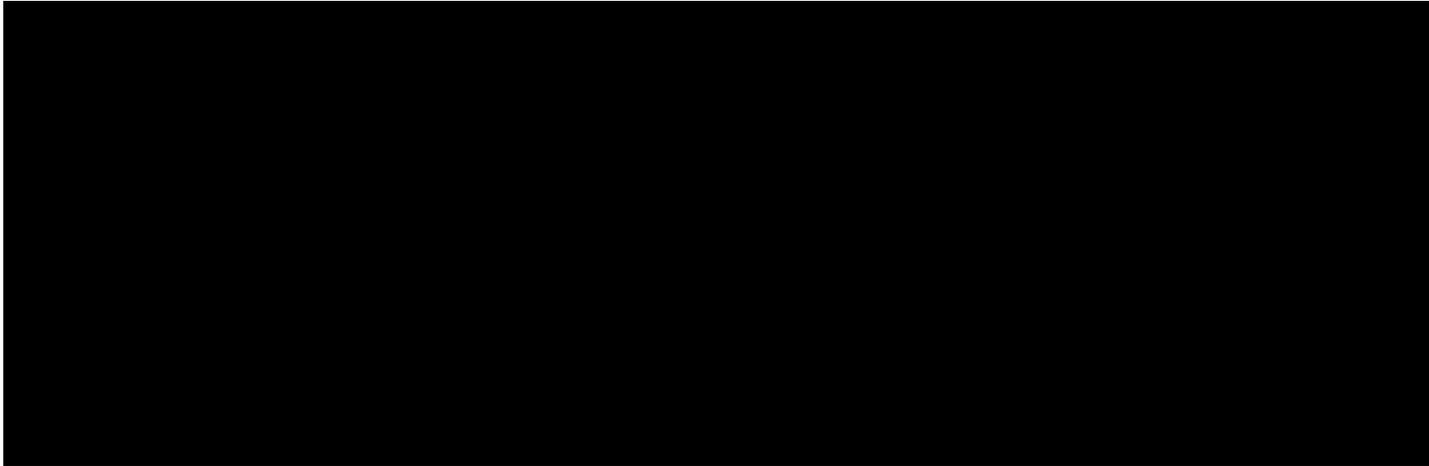
Please see the following pages.

Resumes

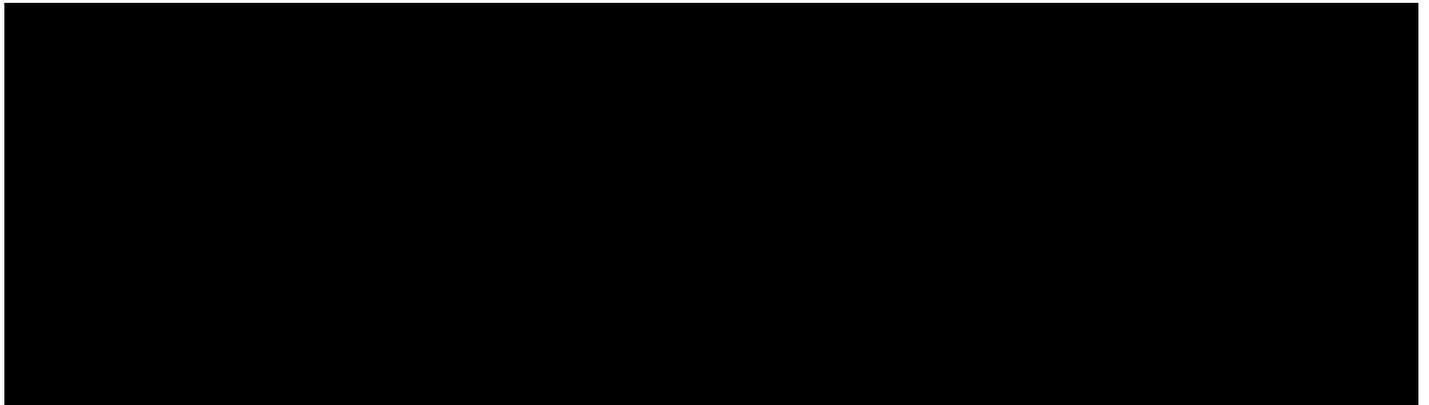
Appendix A

Resumes - Investment Banking Team

Name	Title	Office Location	Role	Tenure at Firm	Tenure in Industry
Jim Kelly	Director	Chicago	Co-Lead	[REDACTED]	[REDACTED]



Kevin Hoecker	Director	Chicago	Co-Lead	[REDACTED]	[REDACTED]
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Michael Lexton	Managing Director	New York	Co-Lead	[REDACTED]	[REDACTED]
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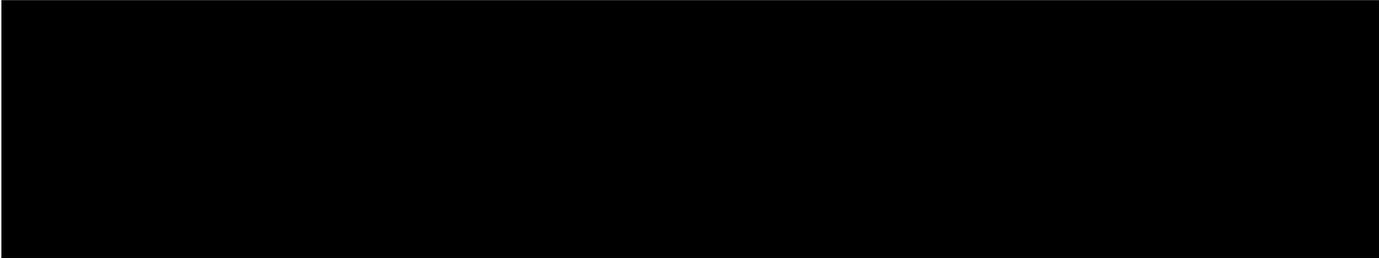
Pennsylvania.

Manuella de
Barros

Vice President

New York

Transaction Execution

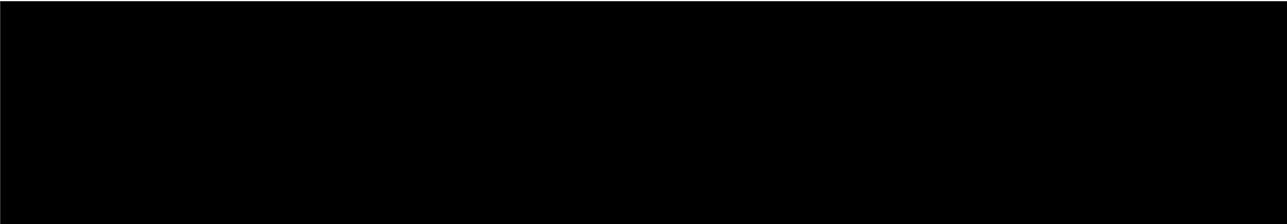


Justin Faurer

Associate

Chicago

Transaction Execution



Annette Palen

Analyst

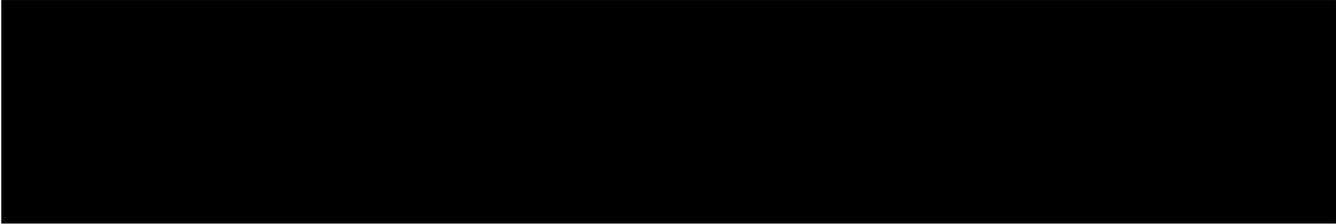
New York

Transaction Execution



Resumes - Sales, Trading, Underwriting and Research

Name	Title	Office Location	Role	Tenure at Firm	Tenure in Industry
Jaime Durando	Managing Director	New York	Head of Municipal Long-Term Desk	████	████



Peter Druhot	Director	New York	Long-Term Underwriter	████	████
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References

Appendix B

Appendix B: Tab 9, Section J

STATE OF ILLINOIS REFERENCES

Provide references from established firms or government agencies other than the procuring agency/university that can attest to Offeror's experience and ability to perform the contract that is the subject of this solicitation.

- J.1. Firm/Government Agency/University (name): Indiana Finance Authority
Contact Person (name, title, email address, address, and phone):
Dan Huge, Public Finance Director
One North Capitol
Suite 900
Indianapolis, IN 46204
Email: dhuge@ifa.in.gov
Phone: (317) 234-2916
Date of Supplies/Services Provided: September 2016
Type of Supplies/Services Provided: Bond Underwriting Services
- J.2. Firm/Government Agency/University (name): Hamilton County, Ohio
Contact Person (name, title, email address, address, and phone):
Jeff Aluotto, Assistant County Administrator
603 County Administration Building
138 East Court Street, Room 603
Cincinnati, OH 45202
Email: jeff.aluotto@hamilton-co.org
Phone: (513) 946-4436
Date of Supplies/Services Provided: August 2016
Type of Supplies/Services Provided: Bond Underwriting Services
- J.3. Firm/Government Agency/University (name): Miami-Dade County Expressway Authority
Contact Person (name, title, email address, address, and phone):
Marie T. Schafer, Deputy Executive Director / CFO
3790 NM 21st Street
Miami, FL 33142
Email: mschafer@mdxway.com
Phone: (305) 637-3277
Date of Supplies/Services Provided: August 2016
Type of Supplies/Services Provided: Bond Underwriting Services

Offeror Name: RBC Capital Markets

Return Mailing Address:

500 W. Madison Street, 25th Floor
Chicago, IL 60661

Senior Manager
Transportation Transaction
List

Appendix C

Appendix C: Tab 9

Senior Managed Tax Exempt Transportation Revenue Bond Experience Over \$100 Million January 1, 2014 January 17, 2016

Issuer	Sale Date	State	Par (\$MM)	Issue Description	Series	Tax Status	Interest Rate Type	Security	Ratings (M/S/F)	RBCCM Role	% of Takedown
1 NYS Dorm Authority	07/23/15	NY	\$1,523.10	Sales Tax Revenue Bonds	Series 2015 A	Non-AMT	Fixed Rate	Sales Tax Revenues	NR/AAA/AA+	Co-Senior	20%
2 Connecticut	10/02/15	CT	839.77	Special Tax Oblig & Ref Bonds	Series 2015 A & B	Non-AMT	Fixed Rate	Transportation Revenues	Aa3/AA/AA	Senior	49%
3 New Jersey Trans Trust Fund Au	11/17/15	NJ	626.80	Transportation Program Bonds	2015 Series AA	Non-AMT	Fixed Rate	Transportation Revenues	A3/A-/A-	Senior	60%
4 Texas Transportation Commission	10/06/16	TX	601.21	St Highway Fund 1st Tier Bonds	Series 2016-A	Non-AMT	Fixed Rate	Transportation Revenues	Aaa/AAA/NR	Co-Senior	32%
5 Miami-Dade Co-Florida	06/10/15	FL	536.84	Aviation Rev & Ref Rev Bonds	Series 2015 A-B	Non-AMT & AMT	Fixed Rate	Airport Revenues	NR/A/A	Senior	32%
6 San Francisco City & Co Airport Comm	09/16/14	CA	473.61	Second Series Revenue Bonds	Series 2014 A-B	Non-AMT & AMT	Fixed Rate	Airport Revenues	A1/A+/A**	Co-Senior	35%
7 Los Angeles Dept of Airports	01/05/17	CA	451.17	Subordinate Revenue Bonds	2016 Series B	AMT	Fixed Rate	Airport Revenues	A1/AA-/AA-	Senior	63%
8 Metropolitan Transport Auth (MTA)	10/28/14	NY	335.00	Transportation Revenue Bonds	Ser 2014 Subser D-1	Non-AMT	Fixed Rate	Transportation Revenues	A2/A-/A	Senior	35%
9 Illinois State Toll Highway Auth	12/08/15	IL	333.06	Toll Highway Senior Rev Ref Bonds	2016 Series A	Non-AMT	Fixed Rate	Toll Revenues	Aa3/AA-/AA-	Co-Senior	24%
10 Metro Washington Airports Auth	06/30/15	DC	315.21	Airport System Rev & Ref Bonds	Series 2015 B-C	AMT	Fixed Rate	Airport Revenues	A1/AA-/AA-	Co-Senior	20%
11 Maryland Eco Dev Corp (MEDCO)	06/14/16	MD	313.04	Private Activity Revenue Bonds	Series 2016 A-D	AMT	Fixed Rate	Transportation Revenues	NR/BBB+/BBB+	Co-Senior	40%
12 Pennsylvania Turnpike Commission	12/01/15	PA	304.01	Turnpike Revenue Bonds	Series B of 2015	Non-AMT	Fixed Rate	Transportation Revenues	A1/NR/A+	Senior	40%
13 Illinois State Toll Highway Auth	11/25/14	IL	264.56	Toll Highway Senior Rev Bonds	2014 Series D	Non-AMT	Fixed Rate	Toll Revenues	Aa3/AA-/AA-	Co-Senior	25%
14 Minneapo is-St Paul Metro Airports Comm	09/10/14	MN	264.38	Subordinate Airport Rev Ref Bonds	Series 2014 A-B	Non-AMT & AMT	Fixed Rate	Airport Revenues	NR/A/A*	Co-Senior	20%
15 Denver City and Co-Colorado	11/17/16	CO	256.81	Airport System Revenue Bonds	Series 2016 A	Non-AMT	Fixed Rate	Airport Revenues	A1/A+/A+	Senior	40%
16 Pennsylvania Turnpike Commission	11/05/14	PA	239.62	Turnpike Revenue Refunding Bonds	Series of 2014	Non-AMT	Fixed Rate	Transportation Revenues	A1/A+/A+	Senior	40%
17 Minneapo is-St Paul Metro Airports Comm	12/06/16	MN	230.66	Subordinate Airport Revenue Bonds	Series 2016 D	Non-AMT & AMT	Fixed Rate	Airport Revenues	NR/AA-/AA*	Senior	50%
18 Ohio	12/04/14	OH	218.14	Revenue & Revenue Refunding Bonds	Series 2014-1 A & B	Non-AMT	Fixed Rate	Transportation Revenues	Aa2/AA/NR	Senior	55%
19 Greater Orlando Aviation Auth	10/01/15	FL	214.45	Airport Facilities Revenue Bonds	Series 2015 A	AMT	Fixed Rate	Airport Revenues	Aa3/AA-/AA-	Co-Senior	35%
20 Los Angeles Harbor Dept	09/14/16	CA	201.56	Refunding Revenue Bonds	2016 Series A-C	Non-AMT & AMT	Fixed Rate	Port Revenues	Aa3/AA/AA	Senior	60%
21 Austin City-Texas	01/12/17	TX	185.00	Airport System Revenue Bonds	Series 2017 A	Non-AMT	Fixed Rate	Airport Revenues	A1/A/NR	Senior	60%
22 Sacramento Co-California	12/07/16	CA	181.79	Airport System Sr & Sub Ref Bonds	Series 2016 A & B	Non-AMT	Fixed Rate	Airport Revenues	A3/A/NR**	Senior	60%
23 Chicago Transit Authority	08/05/15	IL	176.92	Cap Grant Rcppts Rev Ref Bonds	Series 2015	Non-AMT	Fixed Rate	Airport Revenues	NR/A/BBB	Senior	30%
24 Indianapolis Airport Auth	06/15/16	IN	176.78	Bond Bank Refunding Bonds	Series 2016 A-1 & A-2	AMT & Non-AMT	Fixed Rate	Airport Revenues	A1/A/A	Co-Senior	20%
25 Maine Turnpike Auth	03/04/15	ME	144.88	Turnpike Revenue Refunding Bonds	Series 2015	Non-AMT	Fixed Rate	Transportation Revenues	Aa3/AA-/AA-	Co-Senior	30%
26 Long Beach City-California	07/15/15	CA	132.95	Harbor Revenue Bonds	Series 2015 C-D	AMT	Fixed Rate	Port Revenues	NR/AA/AA	Senior	65%
27 Austin City-Texas	01/12/17	TX	129.67	Airport System Revenue Bonds	Series 2017 B	AMT	Fixed Rate	Airport Revenues	A1/A/NR	Senior	60%
28 New Jersey Turnpike Authority	08/01/14	NJ	125.00	Turnpike Revenue Bonds	Series 2014 B 1-3	Non-AMT	Variable Rate	Transportation Revenues	A3/A+/A	Senior	60%
29 Love Field Airport Modernization Corp	12/08/16	TX	116.95	General Airport Revenue Bonds	Series 2017	AMT	Fixed Rate	Airport Revenues	A1/A/A	Co-Senior	30%
30 Clark Co-Nevada	03/10/14	NV	100.00	Highway Revenue Bonds	Series 2014 A	Non-AMT	Fixed Rate	Transportation Revenues	A1/A+/NR	Senior	70%
Total Principal			\$10,012.82								

*Note reflect senior lien ratings



Exceptions to Solicitation and
Contract Terms and
Conditions

Appendix D

A. Section 3G

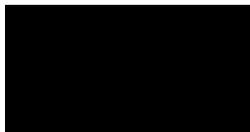
STATE OF ILLINOIS
EXCEPTIONS TO SOLICITATION AND CONTRACT TERMS AND CONDITIONS

- G.** RBC Capital Markets agrees with the terms and conditions set forth in the State of Illinois Request for Proposal (Reference Number: #16-0155), including the standard terms and conditions, Illinois Tollway's supplemental provisions, certifications, and disclosures, with the following exceptions:

	Excluding certifications required by statute to be made by the Offeror, both Parties agree that all of the duties and obligations that the Offeror owes to Tollway for the work performed shall be pursuant to the solicitation, resulting contract, and Offeror's exceptions accepted by the State thereto as set forth below.
	STANDARD TERMS AND CONDITIONS
Section/ Subsection #	State the exception such as "add," "replace," and/or "delete."
F.11 (c)	RBCCM reserves the right to review Section F.11 (c)
F.12	"delete" - "All deductibles or self-insured retentions must be declared and recognized by the Authority." - It is not standard to declare deductibles or retentions.
	"delete" - "Proof of insurance shall include originals of the applicable 'additional insured' endorsements for approval of the Authority." - Additional insured status is provided on a blanket basis and no endorsement would be issued related to this engagement
	ADDITIONAL OFFEROR PROVISIONS
New Provision(s), # et. Seq.	Section/Subsection New Number, Title of New Subsection: State the new additional term or condition

By: RBC Capital Markets

Signed:



Position: Director

Date: February 3, 2017

STATE OF ILLINOIS
FORMS A

A vendor responding to a solicitation by the State of Illinois must return the information requested within this section with their bid or offer if they are not registered in the Illinois Procurement Gateway (IPG). Failure to do so may render their bid or offer non-responsive and result in disqualification.

Please read this entire Forms A and provide the requested information as applicable and per the instructions. All forms and signature areas contained in this Forms A must be completed in full and submitted along with the bid in an Invitation for Bid; and completed in full and submitted along with the technical response and price proposal, which combined will constitute the Offer, in a Request for Proposal.

Vendor Name: RBC Capital Markets, LLC DBA RBC Wealth Management	Phone: (312) 559-3877
Street Address: 500 W. Madison Street, Suite 2500	Email: kevin.hoecker@rbccm.com
City, State Zip: Chicago, IL 60661	Vendor Contact: Kevin Hoecker

In compliance with the State and Federal Constitutions, the Illinois Human Rights Act, the U.S. Civil Rights Act, and Section 504 of the Federal Rehabilitation Act, the State of Illinois does not discriminate in employment, contracts, or any other activity.

The State of Illinois encourages prospective vendors to consider hiring qualified veterans and Illinois residents discharged from any Illinois adult correctional center, in appropriate circumstances.

OUTLINE

FORMS A

Complete this section if you are not using an IPG (Illinois Procurement Gateway) Registration #

	Part
Business and Directory Information	1.
Illinois Department of Human Rights Public Contracts Number	2.
Authorized to Do Business in Illinois.....	3.
Standard Certifications	4.
State Board of Elections.....	5.
Disclosure of Business Operations in Iran.....	6.
Financial Disclosures and Conflicts of Interest	7.
Taxpayer Identification Number	8.

STATE OF ILLINOIS
BUSINESS AND DIRECTORY INFORMATION

1.1. Name of Business (official name and DBA)

RBC Capital markets, LLC DBA RBC Wealth Management

1.2. Business Headquarters (address, phone and fax)

200 Vesey Street, New York, NY 10281

(212) 618-7550

(212) 618-5652

1.3. If a Division or Subsidiary of another organization provide the name and address of the parent

Royal Bank of Canada, 200 Bay Street, Toronto, Ontario, Canada M5J2W7

1.4. Billing Address

200 Vesey Street, 9th Floor

New York, NY 10281

1.5. Name of Chief Executive Officer

Blair Fleming

1.6. Company Web Site Address

<http://www.rbccm.com>

1.7. Type of Organization (sole proprietor, corporation, etc.--should be same as on Taxpayer ID form below)

Limited Liability Company

1.8. Length of time in business

35 years

1.9. Annual Sales for Offeror's most recently completed fiscal year

\$1.6 billion

1.10. Show number of full-time employees, on average, during the most recent fiscal year

2,383 (U.S.)

1.11. Is your company at least 51% owned and controlled by individuals in one of the following categories? If "Yes," please check the category that applies:

1.11.1. Minority (30 ILCS 575/2(A)(1) & (3))

Yes

- 1.11.2. Female (30 ILCS 575/2(A)(2) & (4)) Yes
- 1.11.3. Person with Disability (30 ILCS 575/2(A)(2.05) & (2.1)) Yes
- 1.11.4. Disadvantaged (49 CFR 26) Yes
- 1.11.5. Veteran (30 ILCS 500/45-57) Yes

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF HUMAN RIGHTS PUBLIC CONTRACT NUMBER

- 2.1. If Offeror employed fifteen or more full-time employees at the time of submission of their response to this solicitation or any time during the previous 365-day period leading up to submission, it must have a current IDHR Public Contract Number or have proof of having submitted a completed application for one **prior** to the solicitation opening date. 775 ILCS 5/2-101. If the Agency/University cannot confirm compliance, it will not be able to consider a Vendor's bid or offer. Please complete the appropriate sections below:

Name of Company (and DBA): RBC Capital Markets, LLC.

(check if applicable) The number is not required as the company has not met or exceeded the number of employees that makes registration necessary under the requirements of the Human Rights Act described above.

IDHR Public Contracts Number: 151539-00 Expiration Date: August 26, 2020.

- 2.2. If number has not yet been issued, provide the date a completed application for the number was submitted to IDHR: N/A.
- 2.3. Upon expiration and until their Contractor Identification Number is renewed, companies will not be eligible to be awarded contracts by the State of Illinois or other jurisdictions that require a current IDHR number as a condition of contract eligibility. 44 ILL. ADM. CODE 750.210(a).
- 2.4. Numbers issued by the Department of Human Rights (or its predecessor agency, the Illinois Fair Employment Practices Commission) prior to July 1, 1998 are no longer valid. This affects numbers below 89999-00-0. Valid numbers begin with 900000-00-0.
- 2.5. If Offeror's organization holds an expired number, it must re-register with the Department of Human Rights.
- 2.6. Offeror may obtain an application form by:
- 2.6.1. Telephone: Call the IDHR Public Contracts Unit at (312) 814-2431 between Monday and Friday, 8:30 AM - 5:00 PM, CST. (TDD (312) 263-1579).
- 2.6.2. Internet: You may download the form from the Department of Human Rights' website at (<http://www2.illinois.gov/dhr/PublicContracts/Pages/default.aspx>).
- 2.6.3. Mail: Write to the Department of Human Rights, Public Contracts Unit, 100 West Randolph Street, Suite 10-100, Chicago, IL 60601.



Bruce Rauner, Governor
Rocco J. Claps, Acting Director

IDHR #: 131539-00
Date Eligible: 08/26/2015
Expires on: 08/26/2020

Michael O'Day
RBC Capital Markets, LLC
60 South Sixth Street
Minneapolis, MN 55402

CONFIRMATION OF EXISTING/RENEWAL REGISTRATION

The Illinois Department of Human Rights, Public Contracts Unit, acknowledges receipt of an Employer Report form (PC-1) filed by your organization.

Review of our records indicates that your organization previously registered with the Department of Human Rights and has been assigned the IDHR Number appearing above. This registration remains in effect until the expiration date appearing above. It is not necessary to submit a new form each time you bid on a state contract.

DO NOT LOSE THIS NOTICE. KEEP IT WITH OTHER IMPORTANT ORGANIZATIONAL DOCUMENTS. Also, please keep the following in mind:

1. The IDHR Bidder Eligibility Number is valid for all bids submitted to any agency of the State of Illinois or other contracting agency that has adopted our registration requirement.
2. An eligible bidder's registration remains in effect until the expiration date unless it is revoked by the Department upon finding that the eligible bidder has committed a civil rights violation.
3. An eligible bidder may relinquish its eligibility by notifying the Department in writing at the above address.
4. The Department must be notified in writing of any change to the eligible bidder's name, address, telephone number, or form of organization. Such changes may render the bidder's registration invalid and may require the filing of a new Employer Report Form with the Department. The Number is not transferable and becomes invalid upon dissolution of the business.

Should you have any questions concerning this notice, please contact the Public Contracts Unit at the above address or telephone at 312-814-2431.

IDHR PCU (01-2010)

100 West Randolph Street, Suite 10-100, Chicago, IL 60601, (312) 814-6200, TTY (866) 740-3953, Housing Line (800) 662-3942
222 South College Street, Room 101, Springfield, IL 62704, (217) 785-5100
2309 West Main Street, Marion, IL 62959 (618) 993-7463
www.state.il.us/dhr

STATE OF ILLINOIS
AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IN ILLINOIS

3. A person, other than an individual acting as a sole proprietor, must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting an offer. 30 ILCS 500/20-43. Offerors must review and complete certification #4.32 in the Standard Certifications found in Forms A, Part 4.

Certification #4.32 requires Vendor to check one of two boxes representing its status. The State may request evidence from a vendor that certifies it is authorized to do business in Illinois proving such authorization. Failure to produce evidence in a timely manner may be considered grounds for determining Vendor non-responsive or not responsible.

For information on registering to transact business or conduct affairs in Illinois, please visit the Illinois Secretary of State's Department of Business Services at their website at (http://cyberdriveillinois.com/departments/business_services/home.html) or your home county clerk.

**EVIDENCE OF BEING AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IS THE SECRETARY
OF STATE'S CERTIFICATE OF GOOD STANDING**

File Number 776-383-1



To all to whom these Presents Shall Come, Greeting:

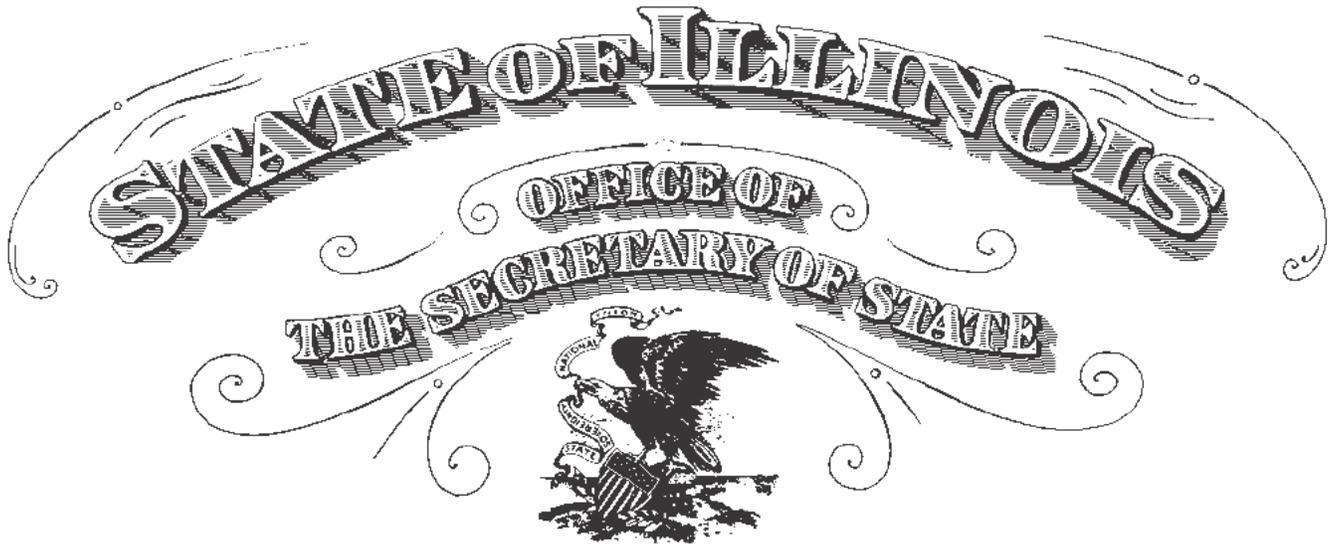
I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

XYZ CONSULTING, INC. INCORPORATED IN GEORGIA AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON JANUARY 20, 2011, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES AND AS OF THIS DATE IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH day of JUNE A.D. 2011


Jesse White
Secretary of State

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
100 SOUTH WASHINGTON STREET
SPRINGFIELD, ILLINOIS 62779
TEL: 217-243-3100
WWW.CYBERDRIVEILLINOIS.COM



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

RBC CAPITAL MARKETS, LLC, A MINNESOTA LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON NOVEMBER 19, 2010, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of AUGUST A.D. 2015 .



Jesse White

SECRETARY OF STATE

STATE OF ILLINOIS STANDARD CERTIFICATIONS

Vendor acknowledges and agrees that compliance with this subsection in its entirety for the term of the contract and any renewals is a material requirement and condition of this contract. By executing this contract Vendor certifies compliance with this subsection in its entirety, and is under a continuing obligation to remain in compliance and report any non-compliance.

This subsection, in its entirety, applies to subcontractors used on this contract. Vendor shall include these Standard Certifications in any subcontract used in the performance of the contract using the Standard Certification form provided by the State.

If this contract extends over multiple fiscal years, including the initial term and all renewals, Vendor and its subcontractors shall confirm compliance with this section in the manner and format determined by the State by the date specified by the State and in no event later than July 1 of each year that this contract remains in effect.

If the Parties determine that any certification in this section is not applicable to this contract it may be stricken without affecting the remaining subsections.

4.1. As part of each certification, Vendor acknowledges and agrees that should Vendor or its subcontractors provide false information, or fail to be or remain in compliance with the Standard Certification requirements, one or more of the following sanctions will apply:

- the contract may be void by operation of law,
- the State may void the contract, and
- the Vendor and its subcontractors may be subject to one or more of the following: suspension, debarment, denial of payment, civil fine, or criminal penalty.

Identifying a sanction or failing to identify a sanction in relation to any of the specific certifications does not waive imposition of other sanctions or preclude application of sanctions not specifically identified.

4.2. Vendor certifies it and its employees will comply with applicable provisions of the United States Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act, and applicable rules in performance of this contract.

4.3. Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies he/she is not in default on an educational loan. 5 ILCS 385/3.

4.4. Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies it he/she has not received (i) an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code or (ii) an early retirement incentive on or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code. 30 ILCS 105/15a; 40 ILCS 5/14-108.3; 40 ILCS 5/16-133.

4.5. Vendor certifies that it is a legal entity authorized to do business in Illinois prior to submission of a bid, offer, or proposal. 30 ILCS 500/1-15.80, 20-43.

STATE OF ILLINOIS STANDARD CERTIFICATIONS

- 4.6. To the extent there was a current Vendor providing the services covered by this contract and the employees of that Vendor who provided those services are covered by a collective bargaining agreement, Vendor certifies (i) that it will offer to assume the collective bargaining obligations of the prior employer, including any existing collective bargaining agreement with the bargaining representative of any existing collective bargaining unit or units performing substantially similar work to the services covered by the contract subject to its bid or offer; and (ii) that it shall offer employment to all employees currently employed in any existing bargaining unit who perform substantially similar work to the work that will be performed pursuant to this contract. This does not apply to heating, air conditioning, plumbing and electrical service contracts. 30 ILCS 500/25-80.
- 4.7. Vendor certifies it has neither been convicted of bribing or attempting to bribe an officer or employee of the State of Illinois or any other State, nor made an admission of guilt of such conduct that is a matter of record. 30 ILCS 500/50-5.
- 4.8. If Vendor has been convicted of a felony, Vendor certifies at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business. 30 ILCS 500/50-10.
- 4.9. If Vendor or any officer, director, partner, or other managerial agent of Vendor has been convicted of a felony under the Sarbanes-Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953, Vendor certifies at least five years have passed since the date of the conviction. Vendor further certifies that it is not barred from being awarded a contract and acknowledges that the State shall declare the contract void if this certification is false. 30 ILCS 500/50-10.5.
- 4.10. Vendor certifies it is not barred from having a contract with the State based upon violating the prohibitions related to either submitting/writing specifications or providing assistance to an employee of the State of Illinois by reviewing, drafting, directing, or preparing any invitation for bids, a request for proposal, or request of information, or similar assistance (except as part of a public request for such information). 30 ILCS 500/50-10.5(e), *amended* by Pub. Act No. 97-0895 (August 3, 2012).
- 4.11. Vendor certifies that it and its affiliates are not delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and Vendor and its affiliates acknowledge the State may declare the contract void if this certification is false or if Vendor or an affiliate later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. 30 ILCS 500/50-11, 50-60.
- 4.12. Vendor certifies that it and all affiliates shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with provisions of the Illinois Use Tax Act and acknowledges that failure to comply may result in the contract being declared void. 30 ILCS 500/50-12.
- 4.13. Vendor certifies that it has not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last five years, and is therefore not barred from being awarded a contract. 30 ILCS 500/50-14.
- 4.14. Vendor certifies it has neither paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract. 30 ILCS 500/50-25.

STATE OF ILLINOIS STANDARD CERTIFICATIONS

- 4.15. Vendor certifies it is not in violation of the “Revolving Door” provisions of the Illinois Procurement Code. 30 ILCS 500/50-30.
- 4.16. Vendor certifies that it has not retained a person or entity to attempt to influence the outcome of a procurement decision for compensation contingent in whole or in part upon the decision or procurement. 30 ILCS 500/50-38.
- 4.17. Vendor certifies that if it has hired a person required to register under the Lobbyist Registration Act to assist in obtaining any State contract, that none of the lobbyist’s costs, fees, compensation, reimbursements, or other remuneration were billed to the State. 30 ILCS 500\50-38.
- 4.18. Vendor certifies it will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anti-competitive practice among any bidders, offerors, contractors, proposers, or employees of the State. 30 ILCS 500/50-40, 50-45, 50-50.
- 4.19. Vendor certifies steel products used or supplied in the performance of a contract for public works shall be manufactured or produced in the United States, unless the executive head of the procuring Agency/University grants an exception. 30 ILCS 565.
- 4.20. Drug Free Workplace
- 4.20.1. If Vendor employs 25 or more employees and this contract is worth more than \$5,000, Vendor certifies it will provide a drug free workplace pursuant to the Drug Free Workplace Act.
- 4.20.2. If Vendor is an individual and this contract is worth more than \$5000, Vendor certifies it shall not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of the contract. 30 ILCS 580.
- 4.21. Vendor certifies that neither Vendor nor any substantially owned affiliate is participating or shall participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the United States. Department of Commerce. 30 ILCS 582.
- 4.22. Vendor certifies it has not been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States. 720 ILCS 5/33 E-3, E-4.
- 4.23. Vendor certifies it complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, which include providing equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies. 775 ILCS 5/2-105.
- 4.24. Vendor certifies it does not pay dues to or reimburse or subsidize payments by its employees for any dues or fees to any “discriminatory club.” 775 ILCS 25/2.
- 4.25. Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been or will be produced in whole or in part by forced labor or indentured labor under penal sanction. 30 ILCS 583.

STATE OF ILLINOIS
STANDARD CERTIFICATIONS

- 4.26. Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12. 30 ILCS 584.
- 4.27. Vendor certifies that any violation of the Lead Poisoning Prevention Act, as it applies to owners of residential buildings, has been mitigated. 410 ILCS 45.
- 4.28. Vendor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with Executive Order No. 1 (2007). The Order generally prohibits Vendors and subcontractors from hiring the then-serving Governor’s family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over \$25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.
- 4.29. Vendor certifies that information technology, including electronic information, software, systems and equipment, developed or provided under this contract comply with the applicable requirements of the Illinois Information Technology Accessibility Act Standards as published at (www.dhs.state.il.us/iitaa) 30 ILCS 587.
- 4.30. Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code. 30 ILCS 500/20-160 and 50-37. Vendor will not make a political contribution that will violate these requirements.

In accordance with section 20-160 of the Illinois Procurement Code, Vendor certifies as applicable:

Vendor is not required to register as a business entity with the State Board of Elections.

or

Vendor has registered with the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

- 4.31. Vendor certifies that if it is awarded a contract through the use of the preference required by the Procurement of Domestic Products Act, then it shall provide products pursuant to the contract or a subcontract that are manufactured in the United States. 30 ILCS 517.
- 4.32. A person (other than an individual acting as a sole proprietor) must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting a bid or offer. 30 ILCS 500/20-43. If you do not meet these criteria, then your bid or offer will be disqualified.

Vendor must make one of the following two certifications by checking the appropriate box.

A. Vendor certifies it is an individual acting as a sole proprietor and is therefore not subject to the requirements of section 20-43 of the Procurement Code.

STATE OF ILLINOIS STANDARD CERTIFICATIONS

- B. Vendor certifies that it is a legal entity, and was authorized to transact business or conduct affairs in Illinois as of the date for submitting this bid or offer. The State may require Vendor to provide evidence of compliance before award.

4.33. Vendor certifies that, for the duration of this contract it will:

- post its employment vacancies in Illinois and border states on the Department of Employment Security's IllinoisJobLink.com website or its successor system; or
- will provide an online link to these employment vacancies so that this link is accessible through the IllinoisJobLink.com website or its successor system; or
- is exempt from 20 ILCS 1005/1005-47 because the contract is for construction-related services as that term is defined in section 1-15.20 of the Procurement Code; or the contract is for construction and vendor is a party to a contract with a bona fide labor organization and performs construction. (20 ILCS 1005/1005-47).

**STATE OF ILLINOIS
STATE BOARD OF ELECTIONS**

5. Section 50-37 of the Illinois Procurement Code prohibits political contributions of certain vendors, bidders and offerors. Additionally, section 9-35 of the Illinois Election Code governs provisions relating to reporting and making contributions to state officeholders, declared candidates for State offices and covered political organizations that promote the candidacy of an officeholder or declared candidate for office. The State may declare any resultant contract void if these Acts are violated.

Generally, if a vendor, bidder, or offeror is an entity doing business for profit (i.e. sole proprietorship, partnership, corporation, limited liability company or partnership, or otherwise) and has contracts with State agencies that annually total more than \$50,000 or whose aggregate pending bids or proposals and current State contracts that total more than \$50,000, the vendor, bidder, or offeror is prohibited from making political contributions and must register with the State Board of Elections. 30 ILCS 500/20-160.

**EVIDENCE OF REGISTRATION WITH THE STATE BOARD OF ELECTIONS
IS THE CERTIFICATE OF REGISTRATION**



Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 15723

RBC Capital Markets, LLC

RBC Plaza
60 South Sixth Street
Minneapolis MN 55402-4422

Information for this business last updated on:

Friday, September 6, 2013

Certificate produced on Wednesday, August 19, 2015 at 8:35 AM



STATE OF ILLINOIS
DISCLOSURE OF BUSINESS OPERATIONS WITH IRAN

6. In accordance with 30 ILCS 500/50-36, each bid, offer, or proposal submitted for a State contract, other than a small purchase defined in Section 20-20 of the Illinois Procurement Code, will include a disclosure of whether or not the bidder, offeror, or proposing entity, or any of its corporate parents or subsidiaries, within the 24 months before submission of the bid, offer, or proposal had business operations that involved contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran and:
- more than 10% of the company's revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company's revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral – extraction products or services to the Government of Iran or a project or consortium created exclusively by that Government; and the company has failed to take substantial action; or
 - the company has, on or after August 5, 1996, made an investment of \$20 million or more, or any combination of investments of at least \$10 million each that in the aggregate equals or exceeds \$20 million in any 12- month period that directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

A bid or offer that does not include this disclosure may be given a period after the bid or offer is submitted to cure non-disclosure. A chief procurement officer may consider the disclosure when evaluating the bid or offer or awarding the contract.

There are no business operations that must be disclosed to comply with the above cited law.

The following business operations are disclosed to comply with the above cited law:

Our records do not indicate that we do business with the government of Iran.

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form (“form”) must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

- Vendor
- Vendor’s Parent Entity(ies) (100% ownership)
- Subcontractor(s) >\$50,000 (annual value)
- Subcontractor’s Parent Entity(ies) (100% ownership) > \$50,000 (annual value)

Project Name	Bond Underwriting Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	RBC Capital Markets, LLC
Doing Business As (DBA)	RBC Wealth Management
Disclosing Entity	RBC Capital Markets, LLC DBA RBC Wealth Management
Disclosing Entity’s Parent Entity	
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Limited Liability Company Membership Agreement (Series LLC, Low-Profit Limited Liability Company) <input type="checkbox"/> If you selected Other, please describe: Click here to enter text.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

STEP 1

SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

Option 1 – Publicly Traded Entities

- 1.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 1.B. Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

Option 2 – Privately Held Entities with more than 100 Shareholders

- 2.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 2.B. Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

Option 3 – All other Privately Held Entities, not including Sole Proprietorships

- 3.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

Option 4 – Foreign Entities

- 4.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 4.B. Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

Option 5 – Not-for-Profit Entities

- Complete Step 2, Option B.

Option 6 – Sole Proprietorships

- Skip to Step 3.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

STEP 2

DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds \$106,447.20.

Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	Address	Percentage of Ownership	\$ Value of Ownership
RBC USA Holdco Corporation, a Delaware Corporation	200 Vesey Street, New York, NY 10281	99%	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor’s total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds \$106,447.20.

Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	Address	% of Distributive Income	\$ Value of Distributive Income
RBC USA Holdco Corporation, a Delaware Corporation	200 Vesey Street, New York, NY 10281	99%	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than \$106,447.20.

Yes No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than \$106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

Yes No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	Address
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.

STEP 3

DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over \$50,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

Yes No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist’s information.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

Name	Address	Relationship to Disclosing Entity
R. Stratford Shields	500 West Madison St., Suite 2500 Chicago, IL 60661	Managing Director, Employee
Kevin Hoecker	500 West Madison St., Suite 2500 Chicago, IL 60661	Director, Employee
James Kelly	500 West Madison St., Suite 2500 Chicago, IL 60661	Director, Employee

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Salary plus bonus. They do not receive any additional compensation above their regular salary and bonus.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

STEP 4

PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: [Click here to enter text.](#)

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? Yes No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% (\$106,447.20) of the salary of the Governor? Yes No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? Yes No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? Yes No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor (\$177,412.00)? Yes No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor (\$354,824.00)? Yes No

STEP 5

POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over \$50,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: [Click here to enter text.](#)

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? Yes No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? Yes No

FINANCIAL DISCLOSURES AND CONFLICTS OF INTERESTS

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? Yes No
4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? Yes No
5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? Yes No
6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? Yes No
7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? Yes No
8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? Yes No
9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? Yes No
10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? Yes No

STEP 6

EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)

(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

STEP 7

POTENTIAL CONFLICTS OF INTEREST RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over \$50,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: R. Stratford Shields, Kevin Hoecker, & James Kelly. RBC Capital Markets, LLC DBA RBC Wealth Management. RBC USA Holdco.

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? Yes No
2. Within the previous ten years, have you had any professional licensure discipline? Yes No
3. Within the previous ten years, have you had any bankruptcies? Yes No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? Yes No
5. Within the previous ten years, have you had any criminal felony convictions? Yes No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual. [Click here to enter text.](#)

STEP 8

DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over \$50,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

Yes No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
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FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

State of Illinois Office of Budget and Management	Bond Underwriting	Active	Approximately \$800,000	22038948
Illinois Housing Development Authority	Municipal Housing Investment Banking Firms	Active	Approximately \$500,000	22036750

Please explain the procurement relationship: Vendor

STEP 9

SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: RBC Capital Markets, LLC DBA RBC Wealth Management

Signature

Date: January 27, 2017

Printed Name: Kevin Hoecker

Title: Director

Phone Number: (312) 559-3877

Email Address: kevin.hoecker@rbccm.com

STATE OF ILLINOIS
TAXPAYER IDENTIFICATION NUMBER

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name and SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

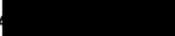
Name: Kevin Hoecker

Business Name: RBC Capital Markets, LLC DBA RBC Wealth Management

Taxpayer Identification Number:

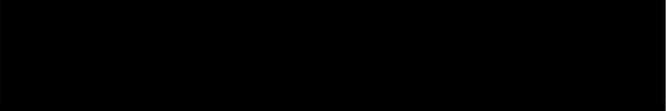
Social Security Number: [Click here to enter text.](#)

or

Employer Identification Number: 

Legal Status (check one):

- | | |
|--|---|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental |
| <input type="checkbox"/> Sole Proprietor | <input type="checkbox"/> Nonresident alien |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or trust |
| <input type="checkbox"/> Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/Funeral Home/Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing
medical and/or health care services | <input checked="" type="checkbox"/> Limited Liability Company
(select applicable tax classification) |
| <input type="checkbox"/> Corporation NOT providing or billing
medical and/or health care services | <input checked="" type="checkbox"/> C = corporation |
| | <input type="checkbox"/> P = partnership |

Signature of Authorized Representative: 

Date: January 27, 2017

Section C

C. Project Title / Reference #22039948: Bond Underwriting Services, RFP #16-0155

The undersigned authorized representative of the identified Offeror hereby submits this Offer to perform in full compliance with the subject solicitation. By completing and signing this Form, the Offeror makes an Offer to the State of Illinois that the State may accept.

Offeror should use this Form as a final check to ensure that all required documents are completed and included with the Offer. Offeror must mark each blank below as appropriate; mark N/A when a section is not applicable to this solicitation. Offeror understands that failure to meet all requirements is cause for disqualification.

C.1. SOLICITATION AND CONTRACT REVIEW: Offeror reviewed the Request for Proposal, including all referenced documents and instructions, completed all blanks, provided all required information, and demonstrated how it will meet the requirements of the State of Illinois.

Yes

C.2. ADDENDA: Offeror acknowledges receipt of any and all addenda to the solicitation and has taken those into account in making this Offer.

Yes

C.3. OFFEROR CONFERENCE: If attendance was mandatory, Offeror attended the Offeror's Conference.

N/A

C.4. OFFER SUBMISSION: Offeror is submitting the correct number of copies, in a properly labeled container(s), to the correct location, and by the due date and time.

Yes

C.5. FORMS A or FORMS B: Offeror is properly submitting either Forms A or Forms B, but not both.

Yes

C.6. BOND: If applicable, Offeror is submitting its Bid Bond or Performance Bond.

N/A

C.7. SMALL BUSINESS SET-ASIDE: Offeror is a qualified small business in the Small Business Set-Aside Program at the time Offers are due.

N/A

C.8. PACKET 1 – SPECIFICATIONS/QUALIFICATIONS/STATEMENT OF WORK

Yes	Offeror's Proposed Solution to Meet the State's	Yes
C.8.1	Requirements	
C.8.2	Milestones and Deliverables	Yes
C.8.3	Offeror/Staff Specifications	Yes
C.8.4	Transportation and Delivery Terms	Yes
C.8.5	Where Services Are to Be Performed	Yes

C.9. PACKET 2 – PRICING

Yes

C.10. PACKET 3 – OFFER

Yes C.10.1	Offer	Yes
C.10.2	Exceptions to Solicitation Contract Terms and Conditions	Yes
C.10.3	Supplemental Provisions	N/A
C.10.4	Subcontractor Disclosures	N/A
C.10.5	References	Yes

C.11. PACKET 4 – FORMS A

Yes	Business and Directory Information	Yes
C.11.1		
C.11.2	Illinois Department of Human Rights Public Contracts Number	Yes
C.11.3	Authorized to do Business in Illinois	Yes
C.11.4	Standard Certifications	Yes
C.11.5	State Board of Elections	Yes
C.11.6	Disclosure of Business Operations in Iran	Yes
C.11.7	Financial Disclosures and Conflicts of Interest	Yes
C.11.8	Taxpayer Identification Number	Yes

C.13. PACKET 5 – REDACTED OFFER

No

C.14. PACKET 6 – BEP UTILIZATION PLAN

C.14.1	Does this solicitation contain a BEP goal?	No
C.14.2	Minorities, Females, Persons with Disabilities Participation and Utilization Plan	N/A

C.15. PACKET 7 – VSB UTILIZATION PLAN

C.15.1	Does this solicitation contain a VSB goal?	No
C.15.2	Veteran Small Business Participation and Utilization Plan	N/A

C.16. PREFERENCES

The Illinois Procurement Code provides various preferences to promote business opportunities in Illinois.

Does Offeror make any claims for preferences? If so, please mark the applicable preference(s) and include a listing of the items that qualify for the preference at the end of this Section and a description of why the preference applies. Agency reserves the right to determine whether the preference indicated applies to Offeror.

Signature of Authorized Representative:



Printed Name of Signatory: Jim Kelly

Offeror's Name: RBC Capital Markets

Date: February 2, 2017



DATE: 04/26/2016
TIME: 15:35

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
PURCHASING
PURCHASE REQUESTION

REPORT: SNPOPR
PAGE: 7

NEED NUMBER 825095
FUND ACCOUNT 01
OLD PROJECT NUMBER
C.P. NUMBER.....
REQUESTING LOCATION ... ADM ADMINISTRATION
REQUISITIONER GROSSO
SHIP TO ADM
VENDOR'S INVOICE

C.P. NUMBER PROJ ACCT ITEM QTY U/M COMMENTS ESTIMATED UNIT COST EMERG LAST ORDER LAST ORD ** FILL IN ***
NUMBER NO. CC NO. NUMBER NUMBER

0000 40 43220 099995 000001 EA RFP FOR BOND UNDERWRITER 14,935,000.00000 NO
REC SRC 1: /REMARKETING SERVICES
RFP FOR BOND UNDERWRITING
RFP FOR BOND UNDERWRITERS
RFP TO ESTABLISH POOLS OF
FIRMS TO PROVIDE BOND
UNDERWRITING AND REMARKET
ING SERVICES FOR A 3-YEAR
INITIAL TERM WITH RENEWAL
OPTIONS UP TO 2 YEARS.
EST. COST FOR FULL 5 YEAR
S IS \$14,935,000.

Paid on PAV
CP# RBC 15977542

NEED 825095 Approved BY: GREG BEDALOV 04/20/2016

NEED 825095 Approved BY: MIKE COLSCH 04/19/2016

NEED 825095 Approved BY: PAVTTI PEARN 04/06/2016

total \$ 200,000

16-015505

DL
04/28/16