

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2025 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013). Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of December 31, 2025.

KPMG LLP, an independent registered public accounting firm, has issued an unqualified audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2025 and has also expressed an unqualified audit opinion on the Company's 2025 consolidated financial statements as stated in their Reports of Independent Registered Public Accounting Firm dated February 4, 2026.

(s) *Tracy Robinson*

President and Chief Executive Officer

February 4, 2026

(s) *Ghislain Houle*

Executive Vice-President and Chief Financial Officer

February 4, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Canadian National Railway Company:

Opinion on the consolidated financial statements

We have audited the accompanying consolidated balance sheets of Canadian National Railway Company (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 4, 2026 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of income taxes

As discussed in Note 7 to the consolidated financial statements, the deferred income tax assets were \$611 million and the deferred income tax liabilities were \$11,223 million as of December 31, 2025, and income tax expense was \$1,544 million for the year ended December 31, 2025. The Company operates in different tax jurisdictions which requires the Company to make significant judgments and estimates in relation to its tax positions.

We identified the evaluation of the deferred income tax assets, the deferred income tax liabilities, and income tax expense as a critical audit matter due to the magnitude of these tax balances and complexities in the evaluation of the application of the relevant tax regulations applicable to the Company. A high degree of auditor judgment was required in assessing certain of the Company's tax positions and balances.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's reconciliation and analysis of its deferred income tax balances. We involved income tax professionals with specialized skills and knowledge who assisted in: (1) assessing the Company's interpretation of the relevant tax regulations; (2) evaluating the reasonability of the Company's tax positions; and (3) analyzing the Company's deferred income tax balances by comparing prior year tax estimates to actual tax returns filed, and evaluating the Company's reconciliation of the deferred income tax balances to the underlying temporary differences.

Evaluation of capitalization of costs relating to track and railway infrastructure

As discussed in Note 11 to the consolidated financial statements, capital additions, net of finance leases, were \$3,658 million for the year ended December 31, 2025, of which \$1,639 million related to track and railway infrastructure maintenance, including the replacement of rail, ties, bridge improvements, and other general track maintenance. As discussed in Note 1 to the consolidated financial statements, expenditures related to self-constructed properties include direct material, labor, and contracted services, as well as other allocated costs.

We identified the evaluation of capitalization of costs relating to track and railway infrastructure as a critical audit matter. The magnitude and complexities in self-constructed properties, as well as the judgments involved in determining whether the expenditure met the Company's pre-determined capitalization criteria required subjective auditor judgment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's capital additions process, including controls related to the monitoring of budget versus actual costs on capital projects and the Company's assessment that the expenditures charged to projects meet the Company's pre-determined capitalization criteria. For a sample of capital expenditure additions, we examined underlying documentation and assessed whether the expenditure met the Company's pre-determined capitalization criteria. The testing was performed at a disaggregated level by type of cost (including direct material, labor, and contracted services), and for rail, included comparisons to prior period per unit measures by region. In addition, we examined the Company's budget versus actual analysis on capital projects and assessed the Company's explanations of differences exceeding pre-determined testing thresholds.

(s) KPMG LLP

We have served as the Company's auditor since 1992.

Montréal, Canada

February 4, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Canadian National Railway Company:

Opinion on internal control over financial reporting

We have audited Canadian National Railway Company's (the "Company") internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively the "consolidated financial statements"), and our report dated February 4, 2026 expressed an unqualified opinion on those consolidated financial statements.

Basis for opinion

The Company'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 Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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 generally accepted accounting principles, 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(s) KPMG LLP

Montréal, Canada
February 4, 2026

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF INCOME

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	2025	2024	2023
Revenues (Note 4)	\$	17,304	\$ 17,046	\$ 16,828
Operating expenses				
Labor and fringe benefits		3,510	3,422	3,150
Purchased services and material		2,306	2,313	2,254
Fuel		1,786	2,060	2,097
Depreciation and amortization		1,938	1,892	1,817
Equipment rents		432	392	359
Other		745	642	554
Loss on assets held for sale (Note 5)		—	78	—
Total operating expenses		10,717	10,799	10,231
Operating income		6,587	6,247	6,597
Interest expense		(913)	(891)	(722)
Other components of net periodic benefit income (Note 17)		502	454	479
Other income (Note 6)		88	42	134
Income before income taxes		6,264	5,852	6,488
Income tax expense (Note 7)		(1,544)	(1,404)	(863)
Net income	\$	4,720	\$ 4,448	\$ 5,625
Earnings per share (Note 8)				
Basic	\$	7.58	\$ 7.02	\$ 8.55
Diluted	\$	7.57	\$ 7.01	\$ 8.53
Weighted-average number of shares (Note 8)				
Basic		623.1	633.5	657.7
Diluted		623.7	634.5	659.1

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Net income	\$	4,720	\$ 4,448	\$ 5,625
Other comprehensive income (loss) (Note 20)				
Net gain (loss) on foreign currency translation		(286)	388	(101)
Net change in pension and other postretirement benefit plans		424	1,025	(334)
Derivative instruments		(2)	(20)	96
Other comprehensive income (loss) before income taxes		136	1,393	(339)
Income tax recovery (expense)		(183)	(134)	29
Other comprehensive income (loss)		(47)	1,259	(310)
Comprehensive income	\$	4,673	\$ 5,707	\$ 5,315

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Assets			
Current assets			
Cash and cash equivalents	\$	350	\$ 389
Restricted cash and cash equivalents		13	12
Accounts receivable (Note 9)		1,117	1,164
Material and supplies		734	720
Other current assets (Note 10)		257	334
Total current assets		2,471	2,619
Properties (Note 11)		49,148	47,960
Operating lease right-of-use assets (Note 12)		440	485
Pension asset (Note 17)		5,362	4,541
Deferred income tax assets (Note 7)		611	689
Intangible assets, goodwill and other (Note 13)		523	773
Total assets	\$	58,555	\$ 57,067
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and other (Note 14)	\$	2,790	\$ 2,810
Current portion of long-term debt (Note 15)		906	1,166
Total current liabilities		3,696	3,976
Deferred income tax liabilities (Note 7)		11,223	10,874
Other liabilities and deferred credits (Note 16)		999	612
Pension and other postretirement benefits (Note 17)		453	483
Long-term debt (Note 15)		20,300	19,728
Operating lease liabilities (Note 12)		316	343
Total liabilities		36,987	36,016
Shareholders' equity			
Common shares (Note 18)		3,454	3,474
Common shares in Share Trusts (Note 18)		(152)	(129)
Additional paid-in capital		415	372
Accumulated other comprehensive loss (Note 20)		(1,067)	(1,020)
Retained earnings		18,918	18,354
Total shareholders' equity		21,568	21,051
Total liabilities and shareholders' equity	\$	58,555	\$ 57,067

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board of Directors:

(s) Shauneen Bruder
Director

(s) Tracy Robinson
Director

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>In millions</i>	Number of common shares		Common shares	Common shares in Share Trusts	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	Outstanding	Share Trusts						
Balance at December 31, 2022	671.0	1.4	\$ 3,613	\$ (170)	\$ 381	\$ (1,969)	\$ 19,529	\$ 21,384
Net income							5,625	5,625
Stock options exercised	0.5		56		(7)			49
Settlement of equity settled awards (Note 18)	0.5	(0.5)		54	(77)		(32)	(55)
Stock-based compensation and other					76		(2)	74
Repurchase of common shares (Note 18)	(29.1)		(157)				(4,394)	(4,551)
Share purchases by Share Trusts (Note 18)	(0.2)	0.2		(28)				(28)
Other comprehensive loss (Note 20)						(310)		(310)
Dividends (\$3.16 per share)							(2,071)	(2,071)
Balance at December 31, 2023	642.7	1.1	3,512	(144)	373	(2,279)	18,655	20,117
Net income							4,448	4,448
Stock options exercised	0.4		47		(6)			41
Settlement of equity settled awards (Note 18)	0.5	(0.5)		65	(80)		(42)	(57)
Stock-based compensation and other					85		(3)	82
Repurchase of common shares (Note 18)	(15.4)		(85)				(2,566)	(2,651)
Share purchases by Share Trusts (Note 18)	(0.3)	0.3		(50)				(50)
Other comprehensive income (Note 20)						1,259		1,259
Dividends (\$3.38 per share)							(2,138)	(2,138)
Balance at December 31, 2024	627.9	0.9	3,474	(129)	372	(1,020)	18,354	21,051
Net income							4,720	4,720
Stock options exercised	0.5		63		(7)			56
Settlement of equity settled awards (Note 18)	0.2	(0.2)		33	(68)		21	(14)
Stock-based compensation and other					118		(5)	113
Repurchase of common shares (Note 18)	(14.9)		(83)				(1,964)	(2,047)
Share purchases by Share Trusts (Note 18)	(0.4)	0.4		(56)				(56)
Other comprehensive loss (Note 20)						(47)		(47)
Dividends (\$3.55 per share)							(2,208)	(2,208)
Balance at December 31, 2025	613.3	1.1	\$ 3,454	\$ (152)	\$ 415	\$ (1,067)	\$ 18,918	\$ 21,568

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Operating activities				
Net income		\$ 4,720	\$ 4,448	\$ 5,625
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		1,938	1,892	1,817
Pension income and funding		(410)	(385)	(418)
Loss on assets held for sale (Note 5)		—	78	—
Gain on disposal of property (Note 6)		—	—	(129)
Deferred income taxes (Note 7)		334	325	(288)
Changes in operating assets and liabilities:				
Accounts receivable		92	205	71
Material and supplies		(24)	(6)	(18)
Accounts payable and other		220	(107)	(191)
Other current assets		(123)	—	85
Other operating activities, net		302	249	411
Net cash provided by operating activities		7,049	6,699	6,965
Investing activities				
Property additions		(3,658)	(3,549)	(3,187)
Business acquisitions and combinations (Note 3)		—	—	(390)
Proceeds from disposal of property (Note 6)		—	—	129
Other investing activities, net		(55)	(58)	(20)
Net cash used in investing activities		(3,713)	(3,607)	(3,468)
Financing activities				
Issuance of debt (Note 15)		1,965	3,483	2,554
Repayment of debt (Note 15)		(446)	(1,038)	(250)
Change in commercial paper, net (Note 15)		(612)	(1,381)	908
Settlement of foreign exchange forward contracts on debt		3	120	38
Issuance of common shares for stock options exercised (Note 19)		56	41	49
Withholding taxes remitted on the net settlement of equity settled awards (Note 19)		(9)	(52)	(51)
Repurchase of common shares (Note 18)		(2,059)	(2,600)	(4,551)
Purchase of common shares for settlement of equity settled awards		(5)	(5)	(4)
Purchase of common shares by Share Trusts (Note 18)		(56)	(50)	(28)
Dividends paid		(2,208)	(2,138)	(2,071)
Net cash used in financing activities		(3,371)	(3,620)	(3,406)
Effect of foreign exchange fluctuations on cash, cash equivalents, restricted cash, and restricted cash equivalents		(3)	5	(1)
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents		(38)	(523)	90
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year		401	924	834
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year		\$ 363	\$ 401	\$ 924
Cash and cash equivalents, end of year		\$ 350	\$ 389	\$ 475
Restricted cash and cash equivalents, end of year		13	12	449
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year		\$ 363	\$ 401	\$ 924
Supplemental cash flow information				
Interest paid		\$ (979)	\$ (926)	\$ (776)
Income taxes paid (Note 7)		\$ (935)	\$ (1,221)	\$ (1,197)

See accompanying notes to Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Canadian National Railway Company, together with its wholly-owned subsidiaries, collectively "CN" or the "Company", is engaged in the rail and related transportation business. CN spans Canada and the United States of America (U.S.), connecting Canada's Eastern and Western coasts with the U.S. Midwest and the U.S. Gulf Coast. CN's freight revenues are derived from the movement of a diversified and balanced portfolio of goods, including petroleum and chemicals, grain and fertilizers, coal, metals and minerals, forest products, intermodal and automotive.

1 – Summary of significant accounting policies

Basis of presentation

These consolidated financial statements are expressed in Canadian dollars, except where otherwise indicated, and have been prepared in accordance with United States generally accepted accounting principles (GAAP) as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Principles of consolidation

These consolidated financial statements include the accounts of all subsidiaries and variable interest entities for which the Company is the primary beneficiary. The Company is the primary beneficiary of the Employee Benefit Plan Trusts ("Share Trusts") as the Company has the direct ability to make decisions regarding the Share Trusts' principal activities. The Company's investments in which it has significant influence are accounted for using the equity method and all other investments for which fair value is not readily determinable are accounted for at cost minus impairment, plus or minus observable price changes.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management reviews its estimates, including those related to goodwill, intangible assets, identified assets and liabilities acquired in business combinations, income taxes, depreciation, pensions and other postretirement benefits, personal injury and other claims, and environmental matters, based upon available information. Actual results could differ from these estimates.

Revenues

Nature of services

The Company's revenues consist of freight revenues and other revenues. Freight revenues include revenue from the movement of freight over rail and are derived from the following seven commodity groups:

- Petroleum and chemicals, which includes chemicals and plastics, refined petroleum products, crude and condensate, and sulfur;
- Metals and minerals, which includes energy materials, metals, minerals, and iron ore;
- Forest products, which includes lumber, pulp, paper, and panels;
- Coal, which includes coal and petroleum coke;
- Grain and fertilizers, which includes Canadian regulated grain, Canadian commercial grain, U.S. grain, potash and other fertilizers;
- Intermodal, which includes rail and trucking services for domestic and international traffic; and
- Automotive, which includes finished vehicles and auto parts.

Freight revenues also comprise revenues for optional services beyond the basic movement of freight including asset use, switching, storage, and other services.

Other revenues are derived from non-rail logistics services that support the Company's rail business including vessels and docks, transloading and distribution, automotive logistics, and freight forwarding and transportation management.

Revenue recognition

Revenues are recognized when control of promised services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those services.

The Company accounts for contracts with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection is probable. For contracts that involve multiple performance obligations, the Company allocates the transaction price to each performance obligation in the contract based on relative standalone selling prices and recognizes revenue when, or as, performance obligations in the contract are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenues are presented net of taxes collected from customers and remitted to governmental authorities.

Freight revenues

Freight services are arranged through publicly-available tariffs or customer-specific agreements that establish the pricing, terms and conditions for freight services offered by the Company. For revenue recognition purposes, a contract for the movement of freight over rail exists when shipping instructions are sent by a customer and have been accepted by the Company in connection with the relevant tariff or customer-specific agreement.

Revenues for the movement of freight over rail are recognized over time due to the continuous transfer of control to the customer as freight moves from origin to destination. Progress towards completion of the performance obligation is measured based on the transit time of freight from origin to destination. The allocation of revenues between periods is based on the relative transit time in each period with expenses recorded as incurred. Revenues related to freight contracts that require the involvement of another rail carrier to move freight from origin to destination are reported on a net basis. Freight movements are completed over a short period of time and are generally completed before payment is due. Freight receivables are included in Accounts receivable on the Consolidated Balance Sheets.

The Company has no material contract assets associated with freight revenues.

Contract liabilities represent consideration received from customers for which the related performance obligation has not been satisfied. Contract liabilities are recognized into revenues when or as the related performance obligation is satisfied. The Company includes contract liabilities within Accounts payable and other and Other liabilities and deferred credits on the Consolidated Balance Sheets.

Revenues for optional services are recognized at a point in time or over time as performance obligations are satisfied, depending on the nature of the service.

Freight contracts may be subject to variable consideration in the form of volume-based incentives, rebates, or other items, which affect the transaction price. Variable consideration is recognized as revenue to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Variable consideration is accrued on the basis of management's best estimate of the expected amount, which is based on available historical, current and forecasted information.

Other revenues

Other revenues are recognized at a point in time or over time as performance obligations are satisfied, depending on the nature of the service.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, the change in the net deferred income tax asset or liability is included in the computation of Net income or Other comprehensive income (loss). Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Earnings per share

Basic earnings per share is calculated using the weighted-average number of basic shares outstanding during the period. The weighted-average number of basic shares outstanding excludes shares held in the Share Trusts and includes vested equity settled stock-based compensation awards other than stock options. Diluted earnings per share is calculated using the weighted-average number of diluted shares outstanding during the period, applying the treasury stock method. The weighted-average number of diluted shares outstanding includes the dilutive effects of common shares issuable upon exercise of outstanding stock options and nonvested equity settled awards.

Foreign currency

All of the Company's foreign subsidiaries use the US dollar as their functional currency. Accordingly, the foreign subsidiaries' assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and the revenues and expenses are translated at the average exchange rates during the year. All adjustments resulting from the translation of the foreign operations are recorded in Other comprehensive income (loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company designates the US dollar-denominated debt of the parent company as a foreign currency hedge of its net investment in foreign operations. Accordingly, foreign exchange gains and losses, from the dates of designation, on the translation of the US dollar-denominated debt are included in Other comprehensive income (loss).

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost plus accrued interest, which approximates fair value.

Restricted cash and cash equivalents

The Company has the option, under its bilateral letter of credit facility agreements with various banks, to pledge collateral in the form of cash and cash equivalents for a minimum term of one month, equal to at least the face value of the letters of credit issued. Restricted cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost plus accrued interest, which approximates fair value.

Accounts receivable

Accounts receivable are recorded at cost net of billing adjustments and an allowance for credit losses. The allowance for credit losses is based on relevant information about past events, including historical experience, and current conditions as of the balance sheet date which are assumed to persist over the remaining life of the receivable under the elected practical expedient. When a receivable is deemed uncollectible, it is written off against the allowance for credit losses. Subsequent recoveries of amounts previously written off are credited to bad debt expense in Other expense in the Consolidated Statements of Income.

Material and supplies

Material and supplies, which consist mainly of rail, ties, and other items for construction and maintenance of property and equipment, as well as diesel fuel, are measured at weighted-average cost.

Assets held for sale

Assets that are classified as held for sale are measured at the lower of their carrying amount or fair value less expected selling costs ("estimated selling price") with a loss recognized to the extent that the carrying amount exceeds the estimated selling price. The classification is applicable at the date upon which the sale of assets is probable, and the assets are available for immediate sale in their present condition. The transfer of the assets must also be expected to qualify for recognition as a completed sale within the year following the date of classification.

Assets once classified as held for sale, are not subject to depreciation or amortization and both the assets and any liabilities directly associated with the assets held for sale are classified as current in the Balance Sheets.

Subsequent changes to the estimated selling price of assets held for sale are recorded as recoveries or losses to the Consolidated Statements of Income wherein the recognition of subsequent gains is limited to the cumulative loss previously recognized.

Properties

Capitalization of costs

The Company's railroad operations are highly capital intensive. The Company's properties mainly consist of homogeneous or network-type assets such as rail, ties, ballast and other structures, which form the Company's Track and roadway properties, and Rolling stock. The Company's capital expenditures are for the replacement of existing assets and for the purchase or construction of new assets to enhance operations or provide new service offerings to customers. A large portion of the Company's capital expenditures are for self-constructed properties, including the replacement of existing track and roadway assets and track line expansion, as well as major overhauls and large refurbishments of rolling stock.

Expenditures are capitalized if they extend the life of the asset or provide future benefits such as increased revenue-generating capacity, functionality or service capacity. The Company has a process in place to determine whether or not costs qualify for capitalization, which requires judgment. For Track and roadway properties, the Company establishes basic capital programs to replace or upgrade the track infrastructure assets which are capitalized if they meet the capitalization criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In addition, for Track and roadway properties, expenditures that meet the minimum level of activity as defined by the Company are also capitalized as follows:

- *grading*: installation of road bed, retaining walls, and drainage structures;
- *rail and related track material*: installation of 39 or more continuous feet of rail;
- *ties*: installation of five or more ties per 39 feet; and
- *ballast*: installation of 171 cubic yards of ballast per mile.

For purchased assets, the Company capitalizes all costs necessary to make the assets ready for their intended use. For self-constructed properties, expenditures include direct material, labor, and contracted services, as well as other allocated costs. These allocated costs include, but are not limited to, project supervision, fringe benefits, maintenance on equipment used on projects as well as the cost of small tools and supplies. The Company reviews and adjusts its allocations, as required, to reflect the actual costs incurred each year.

For the rail asset, the Company capitalizes the costs of rail grinding which consists of restoring and improving the rail profile and removing irregularities from worn rail to extend the service life. The service life of the rail asset is increased incrementally as rail grinding is performed thereon, and as such, the costs incurred are capitalized given that the activity extends the service life of the rail asset beyond its original or current condition as additional gross tons can be carried over the rail for its remaining service life.

For the ballast asset, the Company engages in shoulder ballast undercutting that consists of removing some or all of the ballast, which has deteriorated over its service life, and replacing it with new ballast. When ballast is installed as part of a shoulder ballast undercutting project, it represents the addition of a new asset and not the repair or maintenance of an existing asset. As such, the Company capitalizes expenditures related to shoulder ballast undercutting given that an existing asset is retired and replaced with a new asset. Under the group method of accounting for properties, the deteriorated ballast is retired at its historical cost.

Costs of deconstruction and removal of replaced assets, referred to herein as dismantling costs, are distinguished from installation costs for self-constructed properties based on the nature of the related activity. For Track and roadway properties, employees concurrently perform dismantling and installation of new track and roadway assets and, as such, the Company estimates the amount of labor and other costs that are related to dismantling. The Company determines dismantling costs based on an analysis of the track and roadway installation process.

Expenditures relating to the Company's properties that do not meet the Company's capitalization criteria are expensed as incurred. For Track and roadway properties, such expenditures include but are not limited to spot tie replacement, spot or broken rail replacement, physical track inspection for detection of rail defects and minor track corrections, and other general maintenance of track infrastructure.

Depreciation

Properties are carried at cost less accumulated depreciation including asset impairment write-downs. The cost of properties, including those under finance leases, net of asset impairment write-downs, is depreciated on a straight-line basis over their estimated service lives, measured in years, except for rail and ballast whose service lives are measured in millions of gross tons. The Company follows the group method of depreciation whereby a single composite depreciation rate is applied to the gross investment in a class of similar assets, despite small differences in the service life or salvage value of individual property units within the same asset class. The Company uses approximately 40 different depreciable asset classes.

For all depreciable asset classes, the depreciation rate is based on the estimated service lives of the assets. Assessing the reasonableness of the estimated service lives of properties requires judgment and is based on currently available information, including periodic depreciation studies conducted by the Company. The Company's U.S. properties are subject to comprehensive depreciation studies as required by the Surface Transportation Board (STB) and are conducted by external experts. Depreciation studies for Canadian properties are not required by regulation and are conducted internally. Studies are performed on specific asset groups on a periodic basis. Changes in the estimated service lives of the assets and their related composite depreciation rates are implemented prospectively.

The service life of the rail asset is based on expected future usage of the rail in its existing condition, determined using railroad industry research and testing (based on rail characteristics such as weight, curvature and metallurgy), factoring in the rail asset's usage to date. The annual composite depreciation rate for the rail asset is determined by dividing the estimated annual number of gross tons carried over the rail by the estimated service life of the rail measured in millions of gross tons. The Company amortizes the cost of rail grinding over the remaining life of the rail asset, which includes the incremental life extension generated by rail grinding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Given the nature of the railroad and the composition of its network which is made up of homogeneous long-lived assets, it is impractical to maintain records of specific properties at their lowest unit of property.

Retirements of assets occur through the replacement of an asset in the normal course of business, the sale of an asset or the abandonment of a section of track. For retirements in the normal course of business, generally the life of the retired asset is within a reasonable range of the expected useful life, as determined in the depreciation studies, and, as such, no gain or loss is recognized under the group method. The asset's cost is removed from the asset account and the difference between its estimated historical cost and estimated related accumulated depreciation (net of salvage proceeds and dismantling costs), if any, is recorded as an adjustment to accumulated depreciation and no gain or loss is recognized. The estimated historical cost of the retired asset is estimated by using deflation factors or indices that closely correlate to the properties comprising the asset classes in combination with the estimated age of the retired asset using a first-in, first-out approach, and applying it to the replacement value of the asset.

In each depreciation study, an estimate is made of any excess or deficiency in accumulated depreciation for all corresponding asset classes to ensure that the depreciation rates remain appropriate. The excess or deficiency in accumulated depreciation is amortized over the remaining life of the asset class.

For retirements of depreciable properties that do not occur in the normal course of business, the historical cost, net of salvage proceeds, is recorded as a gain or loss in income. A retirement is considered not to be in the normal course of business if it meets the following criteria: (i) it is unusual, (ii) it is significant in amount, and (iii) it varies significantly from the retirement pattern identified through depreciation studies. A gain or loss is recognized in Other income for the sale of land or disposal of assets that are not part of railroad operations.

Government assistance

By analogy to the grant model of accounting within International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, the Company records government assistance from various levels of Canadian and U.S. governments and government agencies when the conditions of their receipt are complied with and there is reasonable assurance that the assistance will be received.

The Company receives government assistance typically in the form of cash primarily for the purpose of track infrastructure assets and public safety improvements to track and roadway properties. The government assistance related to properties has conditions of how the assistance is to be spent; such as the Company purchasing or self-constructing assets to improve CN assets and under limited transactions would require the Company to reimburse the assistance if certain conditions are not adhered to. The period for which the assistance is received coincides with the timing to complete the purchase or self-construction.

The Company accounts for government assistance received or receivable related to CN's property assets as a reduction from the cost of the assets in the Consolidated Balance Sheets within Properties and depreciated over the same service life of the related assets in Depreciation and amortization in the Consolidated Statements of Income.

Leases

The Company engages in short and long-term leases for rolling stock including locomotives and freight cars, equipment, real estate and service contracts that contain embedded leases. The Company determines whether or not a contract contains a lease at inception. Leases with a term of twelve months or less are not recorded by the Company on the Consolidated Balance Sheets.

Finance and operating lease right-of-use assets and liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. Where the implicit interest rate is not determinable from the lease, the Company uses internal incremental borrowing rates by tenor and currency to initially measure leases in excess of twelve months on the Consolidated Balance Sheets. Operating lease expense is recognized on a straight-line basis over the lease term.

The Company's lease contracts may contain termination, renewal, and/or purchase options, residual value guarantees, or a combination thereof, all of which are evaluated by the Company on a quarterly basis. The majority of renewal options available extend the lease term from one to five years. The Company accounts for such contract options when the Company is reasonably certain that it will exercise one of these options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lease contracts may contain lease and non-lease components that the Company generally accounts for separately, with the exception of the freight car asset category for which the Company has elected to not separate the lease and non-lease components.

Intangible assets

Intangible assets consist mainly of customer contracts and relationships acquired through business acquisitions. Intangible assets are generally amortized on a straight-line basis over their expected useful lives, ranging from 20 to 50 years. If a change in the estimated useful life of an intangible asset is determined, amortization is adjusted prospectively.

With respect to impairment, the Company tests the recoverability of its intangible assets held and used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, based on future undiscounted cash flows. If the carrying amount of an intangible asset is not recoverable and exceeds the fair value, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the fair value.

Goodwill

The Company recognizes goodwill as the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is assigned to the reporting units that are expected to benefit from the business acquisition. The carrying amount of goodwill is not amortized; instead, it is assessed for impairment annually as of the first day of the fiscal fourth quarter or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than the carrying amount.

With respect to impairment, the Company may first assess certain qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, or proceed directly to a quantitative goodwill impairment test. Qualitative factors include but are not limited to, economic, market and industry conditions, cost factors and overall financial performance of the reporting unit, and events such as changes in management or customers. If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test must be performed. The quantitative impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, including goodwill, and an impairment loss is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, up to the value of goodwill. The Company defines the fair value of a reporting unit as the price that would be received to sell the reporting unit as a whole in an orderly transaction between market participants as of the impairment date. To determine the fair value of a reporting unit, the Company uses the discounted cash flow method using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

Accounts receivable securitization

Based on the structure of its accounts receivable securitization program, the Company accounts for the proceeds received as secured borrowings.

Pensions

Pension costs are determined using actuarial methods. Net periodic benefit cost (income) includes the current service cost of pension benefits provided in exchange for employee service rendered during the year, which is recorded in Labor and fringe benefits expense. Net periodic benefit cost (income) also includes the following, which are recorded in Other components of net periodic benefit income (cost):

- the interest cost of pension obligations;
- the expected long-term return on pension fund assets;
- the amortization of prior service costs and amendments over the expected average remaining service life of the employee group covered by the plans;
- the Company uses a market related value to calculate net periodic benefit cost (income); and
- the amortization of cumulative net actuarial gains and losses in excess of 10% of the greater of the beginning of year balances of the projected benefit obligation or market-related value of plan assets, over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the projected unit credit actuarial cost method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Postretirement benefits other than pensions

The Company accrues the cost of postretirement benefits other than pensions using actuarial methods. These benefits, which are funded as they become due, include life insurance programs, medical benefits and, for a closed group of employees, free rail travel benefits.

The Company amortizes the cumulative net actuarial gains and losses in excess of 10% of the projected benefit obligation at the beginning of the year, over the expected average remaining service life of the employee group covered by the plan.

Additional paid-in capital

Additional paid-in capital includes the stock-based compensation expense on equity settled awards and other items relating to equity settled awards. Upon the exercise of stock options, the stock-based compensation expense related to those awards is reclassified from Additional paid-in capital to Common shares. Upon settlement of all other equity settled awards, the Company reclassifies from Additional paid-in capital to Retained Earnings the stock-based compensation expense and other items related to equity settled awards, up to the amount of the settlement cost. The excess, if any, of the settlement cost over the stock-based compensation expense is recorded in Retained Earnings.

Stock-based compensation

For equity settled awards, stock-based compensation costs are recognized over the requisite service period based on the fair value of the respective awards on their grant date. The grant date fair value of performance share unit (PSU) awards is dependent on the type of PSU award. The grant date fair value of PSU-ROIC awards granted in 2024 and 2025, which include a performance condition, is determined using the closing price of the Company's stock on the date of the grant. For PSU-ROIC awards granted in 2023, which included a performance and market condition, the grant date fair value is determined using a lattice-based model incorporating a minimum share price market condition. The grant date fair value of PSU-TSR awards, which include a market condition, is determined using a Monte Carlo simulation model. The grant date fair value of restricted share unit (RSU) awards and of deferred share unit (DSU) awards are determined using the closing price of the Company's stock on the date of the grant date. The grant date fair value of stock option awards is determined using the Black-Scholes option-pricing model.

Compensation cost for PSU-ROIC awards is recognized based on the probability of attaining the performance condition and the probability is reassessed at the end of each reporting period. For awards with a market condition, compensation cost is not reversed even if the market condition is not met.

Personal injury and other claims

In Canada, the Company accounts for costs related to employee work-related injuries based on actuarially developed estimates on a discounted basis of the ultimate cost associated with such injuries, including compensation, health care and third-party administration costs. In the U.S., the Company accrues the expected cost for personal injury, property damage and occupational disease claims, based on actuarial estimates of their ultimate cost on an undiscounted basis. For all other legal actions in Canada and the U.S., the Company maintains, and regularly updates on a case-by-case basis, provisions for such items when the expected loss is both probable and can be reasonably estimated based on currently available information.

Environmental expenditures

Environmental expenditures that relate to current operations, or to an existing condition caused by past operations, are expensed as incurred. Environmental expenditures that provide a future benefit are capitalized. Environmental liabilities are recorded when environmental assessments occur, remedial efforts are probable, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated. The Company accrues its allocable share of liability taking into account the Company's alleged responsibility, the number of potentially responsible parties and their ability to pay their respective shares of the liability. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

Derivative financial instruments

The Company uses derivative financial instruments from time to time in the management of its interest rate and foreign currency exposures. Derivative instruments are recorded on the balance sheet at fair value. The changes in fair value of derivative instruments not designated or not qualified as a hedge are recorded in Net income in the current period.

2 – Recent accounting pronouncements

The following Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB) have been adopted by the Company:

ASU 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

The ASU amends the rules on income tax disclosures by modifying or eliminating certain existing income tax disclosure requirements in addition to establishing new requirements. The amendments address investor requests for more transparency about income taxes, including jurisdictional information, by requiring consistent categories and greater disaggregation of information. The ASU's two primary amendments relate to the rate reconciliation and income taxes paid annual disclosures.

Reconciling items presented in the rate reconciliation are in dollar amounts and percentages, and are disaggregated into specified categories with certain reconciling items further broken out by nature and/or jurisdiction using a 5% threshold of domestic federal taxes. Income taxes paid are disaggregated between federal, provincial/territorial, and foreign taxing jurisdictions using a 5% threshold of total income taxes paid net of refunds received.

The ASU is effective for annual periods beginning after December 15, 2024. The Company adopted this standard prospectively in the fourth quarter of 2025 with an effective date of January 1, 2025 and has included the disaggregation of rate reconciliation items and income tax payments by specified categories, nature and/or jurisdiction as described above within *Note 7 – Income taxes*.

ASU 2025-05 – Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets

This ASU introduces an optional practical expedient to simplify the estimation of expected credit losses on current trade receivables and current contract assets arising from revenue transactions. When elected, an entity may assume that current conditions at the balance sheet date will remain unchanged over the remaining life of the assets in developing its reasonable and supportable forecast; entities still adjust historical loss information to reflect current conditions, but they need not incorporate forward-looking macroeconomic forecasts for assets within scope.

The amendments in this ASU are effective for annual periods beginning after December 15, 2025. The Company adopted this standard prospectively in the fourth quarter of 2025 with an effective date of January 1, 2026 and has included the relevant disclosures within *Note 1 – Summary of significant accounting policies*.

The following recent ASU issued by the Financial Accounting Standards Board (FASB) have an effective date after December 31, 2025 and have not been adopted by the Company:

ASU 2025-10 – Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities

This ASU introduces comprehensive accounting guidance for government grants received by business entities by expanding Topic 832 beyond disclosure-only requirements to include recognition, measurement, presentation, and disclosure. The main provisions establish that government grants should not be recognized until it is probable that the Company will comply with the conditions attached to the grant and that the grant will be received. The ASU also provides guidance on accounting for grants related to income and grants related to assets, including acceptable presentation approaches, and introduces enhanced disclosure requirements intended to improve transparency and comparability of government grant information.

The amendments in this ASU are effective for annual periods beginning after December 15, 2028, including interim periods within these fiscal years. Early adoption is permitted. The amendments in this ASU may be adopted using a prospective, modified retrospective, or full retrospective transition approach, depending on the nature of the grants and the transition method elected.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ASU 2025-06 – Intangibles - Goodwill and Other Internal-Use Software (Subtopic 350-40)

This ASU modernizes the accounting for internal-use software by removing references to prescriptive and sequential software development stages. The main provisions establish that capitalization begins when management authorizes and commits to funding the software project and it is probable the project will be completed and used as intended. The ASU also introduces enhanced disclosure requirements that align internal-use software disclosures to property, plant and equipment. It also consolidates guidance for website development by integrating it into the framework for internal-use software.

The amendments in this ASU are effective for annual periods beginning after December 15, 2027, including interim periods within these fiscal years. Early adoption is permitted. The amendments in this ASU must be adopted either prospectively, retrospectively or using a modified transition approach based on project status and prior capitalization.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements and disclosures.

ASU 2024-03 – Disaggregation of Income Statement Expenses (Subtopic 220-40)

This ASU aims to provide stakeholders a clearer understanding of an entity's expenses and enhance their ability to assess performance, forecast expenses and evaluate the entity's potential for future cash flows. The ASU amends the rules on income statement expense disclosures and requires public business entities to disaggregate and disclose, in tabular format in the notes to financial statements, specified categories of expenses contained within certain income statement expense line items; to integrate certain amounts that were already required to be disclosed under current GAAP with the new disaggregation requirements and to qualitatively disclose descriptions of the amounts remaining that were not separately disaggregated. The ASU also requires public business entities to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of those selling expenses. This ASU does not change or remove the current disclosure requirements of expense line items on the face of the Consolidated Statements of Income.

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either prospectively to Consolidated Financial Statements issued for reporting periods following the effective date, or retrospectively to any or all prior periods presented in the Consolidated Financial Statements.

The Company is evaluating the effects that the adoption of the ASU will have on its Consolidated Financial Statements disclosures.

Other recently issued ASUs required to be applied on or after December 31, 2025 have been evaluated by the Company and are not expected to have a significant impact on the Company's Consolidated Financial Statements.

3 – Business acquisitions and combinations

Iowa Northern Railway Company

On December 6, 2023, the Company acquired the shares of the Iowa Northern Railway Company (IANR), a Class III short-line railroad that owns and leases approximately 175 route miles in northeast Iowa that are connected to CN's U.S. rail network. CN paid US\$230 million (\$312 million), including transaction costs to date. IANR serves upper Midwest agricultural and industrial markets covering many goods, including biofuels and grain. This transaction represents a meaningful opportunity to support the growth of local business by creating single-line service to North American destinations, while preserving access to existing carrier options.

The shares of IANR were deposited into an independent voting trust while the U.S Surface Transportation Board (STB) considered the Company's application to acquire control of IANR. During the trust period, IANR continued to be operated under its current management and the Company could not exercise day-to-day control. As a result, the Company recorded its investment in IANR at its acquisition cost under the equity method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On January 14, 2025, the STB issued a final decision approving CN's application to acquire control of IANR, subject to certain conditions. The Company assumed control of IANR on March 1, 2025 (Control Date) and began consolidating IANR on that date, accounting for the acquisition as a business combination achieved in stages. The Company derecognized its previously held equity method investment in IANR of \$320 million as of March 1, 2025 and remeasured the investment at its Control Date fair value of \$344 million resulting in a net remeasurement gain of \$24 million recorded in Other income in the Consolidated Statements of Income. The fair value of the previously held equity interest in IANR was determined through the use of a discounted cash flow approach, which incorporated the Company's best estimates of various assumptions including, but not limited to, discount rates and terminal growth rates and multiples.

The Company's Consolidated Balance Sheet includes the assets and liabilities of IANR as of the Control Date, and since that time, IANR's results of operations have been included in the Company's results of operations. The Company has not provided pro forma information relating to the pre-control date period as the acquisition was not material.

The following table summarizes the final purchase price allocation with the fair value at the Control Date of the previously held equity interest in IANR, as well as the amounts recognized for the identifiable assets acquired and liabilities assumed on the Control Date:

<i>(in millions)</i>	March 1, 2025
Consideration	
Fair value of previously held equity method investment ⁽¹⁾	\$ 344
Recognized amounts of identifiable assets acquired and liabilities assumed ⁽¹⁾	
Current assets	\$ 10
Properties	426
Other non-current assets	10
Current liabilities	(20)
Deferred income tax liabilities	(90)
Other non-current liabilities	(23)
Total identifiable net assets ⁽²⁾	\$ 313
Goodwill ⁽³⁾	\$ 31

(1) As at the Control Date, the Company's fair value of the previously held equity interest in IANR and the related purchase price allocation was preliminary and subject to change over the measurement period, permitted to be up to one year from the Control Date. In the fourth quarter of 2025, based on updated information available to the Company, the fair value of net assets acquired was increased by \$2 million to reflect changes to certain assets and liabilities which were insignificant, resulting in a decrease to Goodwill for the same amount. The Company's fair value of the previously held equity interest in IANR and the purchase price allocation is now final.

(2) Includes operating lease right-of-use assets and liabilities. There were no identifiable intangible assets.

(3) The goodwill acquired through the business combination is mainly attributable to the premium of an established business operation. The goodwill is not deductible for tax purposes.

The final fair values of Properties were determined using valuation techniques including the market approach and the cost approach. The significant assumptions used to determine the final fair value of Properties were mostly related to a selection of comparable assets and inflation.

2023

Cape Breton & Central Nova Scotia Railway

On November 1, 2023, the Company acquired from Genesee & Wyoming Inc. a stake in the Cape Breton & Central Nova Scotia Railway (CBNS), a Class III short-line railroad that owns approximately 150 route miles. CN paid \$78 million in cash, net of cash acquired and including working capital adjustments. The acquisition was accounted for as a business combination. As a result, the Company's Consolidated Balance Sheets included the net assets of CBNS as of November 1, 2023, which were comprised of \$101 million in fair value of properties mostly track and roadway assets, partly offset by \$18 million in deferred tax liabilities. The remaining net assets were comprised of current assets and liabilities which were individually insignificant and there were no identifiable intangible assets. No goodwill was recognized. The Company's purchase price allocation is now final and the resulting differences compared to what was estimated were insignificant. The Company has not provided pro forma information related to prior periods and other disclosures as it was not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 – Revenues

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Freight revenues				
Petroleum and chemicals	\$	3,478	\$ 3,414	\$ 3,195
Metals and minerals		1,962	2,048	2,048
Forest products		1,839	1,931	1,943
Coal		960	929	1,017
Grain and fertilizers		3,658	3,422	3,265
Intermodal		3,892	3,757	3,823
Automotive		892	894	945
Total freight revenues		16,681	16,395	16,236
Other revenues		623	651	592
Total revenues ^{(1) (2)}	\$	17,304	\$ 17,046	\$ 16,828

(1) As at December 31, 2025, the Company had remaining performance obligations related to freight in-transit, for which revenues of \$103 million (2024 - \$102 million) are expected to be recognized in the next period.

(2) See Note 23 – *Segmented information* for the disaggregation of revenues by geographic area.

Contract liabilities

<i>In millions</i>	2025	2024
Beginning of year	\$ 191	\$ 95
Revenue recognized included in the beginning balance	(18)	(15)
Increase due to consideration received, net of revenue recognized	354	111
End of year	\$ 527	\$ 191
Current portion - end of year	\$ 7	\$ 5

5 – Assets held for sale

2024

On May 8, 2024, CN entered into an agreement to transfer the ownership and related risks and obligations of a road, rail, and pedestrian bridge known as the Quebec Bridge located in Quebec, Canada, to the Government of Canada for a nominal amount. At that time, CN met the criteria for classification of the related track and roadway assets as assets held for sale and accordingly recorded a loss of \$78 million (\$58 million after-tax) to adjust the carrying value to the nominal selling price. On November 12, 2024, the transaction was completed and the resulting difference between the carrying value and what was estimated was insignificant. CN had also recognized an operating lease right-of-use asset and a related liability of \$124 million for the retained requisite rights to occupy and operate the portion of the bridge where the rail infrastructure is located and will pay an annual occupancy fee over a term that also includes a noncancellable period.

6 – Other income

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Gain on disposal of land	\$	48	\$ 20	\$ 7
Gain (loss) on foreign currency ⁽¹⁾		32	12	7
Gain on disposal of property		—	—	129
Other ⁽²⁾		8	10	(9)
Total other income	\$	88	\$ 42	\$ 134

(1) Includes foreign exchange gains and losses related to foreign exchange forward contracts and the re-measurement of foreign currency denominated monetary assets and liabilities. See Note 22 – *Financial instruments* for additional information.

(2) Includes \$24 million net remeasurement gain related to the investment in IANR. See Note 3 – *Business acquisitions and combinations* for additional information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2023

Disposal of property

On December 13, 2023, the Company completed the sale of a portion of land within the Bala Subdivision located in Markham and Richmond Hill, Ontario, Canada for cash proceeds of \$129 million which resulted in a gain of \$129 million (\$112 million after tax) as the carrying amount of the land was nominal.

7 – Income taxes

In the fourth quarter of 2025, the Company adopted *ASU 2023-09 – Income Taxes (Topic 740): Improvements to income tax disclosures* prospectively, and the associated disclosure changes have been reflected below.

The Company's consolidated effective income tax rate differs from the Canadian, or domestic, statutory federal tax rate. The effective tax rate is affected by recurring items in provincial, U.S. federal, state and other foreign jurisdictions, such as tax rates and the proportion of income earned in those jurisdictions. The effective tax rate is also affected by other items such as the impact of transactions that are taxable or deductible at lower inclusion rates, changes in net unrecognized tax benefits, changes in income tax laws, and other items.

In the fourth quarter of 2023, the Company received a ruling from taxation authorities in a non-U.S. foreign jurisdiction in connection with prior taxation years. Consistent with the ruling, and effective as of January 1, 2021, the Company has foregone favorable tax deductions of a permanent nature on certain income generated from intercompany arrangements. This resulted in the Company generating tax-deductible goodwill approximating the value of the foregone tax deductions, which is available to be amortized over a period of up to ten years.

As a result, in 2023, the Company recorded a net deferred income tax recovery of \$682 million, comprised of a \$767 million deferred income tax recovery related to the tax-deductible goodwill initially generated as of January 1, 2021, partly offset by a \$85 million income tax expense related to the foregone tax deduction (\$31 million for 2023 and \$54 million for prior years) which was initially recorded in current taxes and was then reclassified to deferred taxes following the amortization of the tax-deductible goodwill for those years.

Income tax expense and effective tax rate reconciliation after adoption of ASU 2023-09

In millions, except rate data	Year ended December 31, 2025	
	Amount	Rate
Income tax expense at Canadian statutory federal tax rate	\$ 940	15.0 %
Income tax expense (recovery) resulting from:		
Canadian federal reconciling items:		
Nontaxable or nondeductible items, net ⁽¹⁾	(1)	— %
Other ⁽²⁾	(14)	(0.2) %
Canadian provincial income taxes, net of federal effect: ^{(3) (4)}	537	8.6 %
Foreign tax affects ⁽⁵⁾ :		
U.S.:		
Federal tax rate differential	46	0.7 %
Other ^{(1) (2) (4)}	36	0.5 %
Income tax expense / Effective tax rate ⁽⁶⁾	\$ 1,544	24.6 %

(1) Includes the federal impact of items taxable or deductible at a lower inclusion rate on non-depreciable property disposals, foreign currency changes of a capital nature, impacts of equity-settled awards under the Company's stock-based compensation plans including excess tax benefits and deficiencies, and other items.

(2) Includes the federal impact of provision-to-return and related adjustments resulting from income tax filings and (re)assessments, and other reconciling items.

(3) The jurisdictions that make up the majority of the tax effect are the provinces of British Columbia, Ontario, and Saskatchewan.

(4) Includes the income tax affect amount for the related subnational jurisdiction such as tax rate differentials, nontaxable or nondeductible items, tax law changes, and other reconciling items.

(5) The other foreign jurisdictions are not separately presented in the reconciliation table since their reconciling items are below the threshold and net to zero because their effective tax rates are the same as the Canadian statutory federal tax rate, and their individual reconciling items are below the threshold.

(6) The Company has elected to present, for all of its jurisdictions, the changes in net unrecognized tax benefits related to the current and prior years, including interest and penalties, in one reconciling item, which was \$nil for the year ended December 31, 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Net income tax payments after adoption of ASU 2023-09

<i>In millions</i>	<i>Year ended December 31,</i>	2025
Canada:		
Federal	\$	436
Province of British Columbia		82
Province of Ontario		72
Province of Saskatchewan		47
Other provinces		111
U.S.		161
Other foreign jurisdictions		26
Total net income tax payments	\$	935

Income tax expense reconciliation and payments prior to adoption of ASU 2023-09

<i>In millions</i>	<i>Year ended December 31,</i>	2024	2023
Canadian statutory federal tax rate		15%	15%
Income tax expense at the Canadian statutory federal tax rate	\$	878	\$ 973
Income tax expense resulting from:			
Provincial and foreign income taxes ⁽¹⁾		582	633
Tax-deductible goodwill and related impacts ⁽²⁾		—	(713)
Other ⁽³⁾		(56)	(30)
Income tax expense	\$	1,404	\$ 863
Net cash payments for income taxes	\$	1,221	\$ 1,197

(1) Includes the impact of Canadian provincial taxes, U.S. federal and state taxes, and other foreign taxes.

(2) Relates to the impacts of recognizing the \$767 million deferred income tax recovery party offset by a \$54 million income tax expense on the foregone tax deductions related to prior taxation years.

(3) Includes adjustments relating to the filing or resolution of matters pertaining to prior years' income taxes, including net recognized tax benefits, excess tax benefits resulting from the settlement of equity settled awards under the Company's stock-based compensation plans, and other items.

Information on a domestic and foreign basis prior to and after adoption of ASU 2023-09

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Income before income taxes				
Canada	\$	4,906	\$ 4,540	\$ 4,936
Foreign		1,358	1,312	1,552
Total income before income taxes	\$	6,264	\$ 5,852	\$ 6,488

<i>In millions</i>	<i>Year ended December 31,</i>	2025
Current income tax expense		
Canada federal	\$	542
Canada provincial		405
Foreign		263
Total current income tax expense	\$	1,210
Deferred income tax expense (recovery)		
Canada federal	\$	176
Canada provincial		132
Foreign		26
Total deferred income tax expense (recovery)	\$	334
Income tax expense (recovery)		
Canada federal	\$	718
Canada provincial		537
Foreign		289
Total income tax expense (recovery)	\$	1,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<i>In millions</i>	<i>Year ended December 31,</i>	<i>2024</i>	<i>2023</i>
Current income tax expense			
Domestic	\$	860	\$ 896
Foreign		219	255
Total current income tax expense	\$	1,079	\$ 1,151
Deferred income tax expense (recovery)			
Domestic	\$	282	\$ 360
Foreign		43	(648)
Total deferred income tax expense (recovery)	\$	325	\$ (288)
Income tax expense	\$	1,404	\$ 863

Net deferred income taxes

<i>In millions</i>	<i>As at December 31,</i>	<i>2025</i>	<i>2024</i>
Deferred income tax assets (liabilities)			
Deferred income tax assets ⁽¹⁾	\$	611	\$ 689
Deferred income tax liabilities		(11,223)	(10,874)
Net deferred income taxes	\$	(10,612)	\$ (10,185)
Deferred income tax assets			
Tax-deductible goodwill ⁽¹⁾	\$	611	\$ 689
Net operating losses and tax credit carryforwards ⁽²⁾		246	235
Lease liabilities		116	131
Pension liability		86	92
Unrealized foreign exchange losses		68	124
Personal Injury & legal claims		53	61
Compensation reserves		45	34
Other postretirement benefits liability		35	37
Other		80	59
Total deferred income tax assets	\$	1,340	\$ 1,462
Deferred income tax liabilities			
Properties	\$	(10,319)	\$ (10,232)
Pension asset		(1,404)	(1,189)
Operating lease right-of-use assets		(110)	(121)
Other		(119)	(105)
Total deferred income tax liabilities	\$	(11,952)	\$ (11,647)
Net deferred income taxes	\$	(10,612)	\$ (10,185)
Net deferred income taxes by jurisdiction			
Canada	\$	(6,901)	\$ (6,405)
Foreign U.S.		(4,322)	(4,469)
Foreign non-U.S. ⁽¹⁾		611	689
Net deferred income taxes	\$	(10,612)	\$ (10,185)

(1) As at December 31, 2025, the Company had tax-deductible goodwill of \$5.2 billion remaining to be amortized which will expire in 2030.

(2) As at December 31, 2025, the Company had net interest expense deduction carryforwards of \$958 million which are available to offset future U.S. federal and state taxable income over an indefinite period. In addition, the Company had net operating loss carryforwards of \$179 million for U.S. state tax purposes which are available to offset future U.S. state taxable income and are expiring between 2026 and 2045.

Deferred income tax assets and liabilities are recorded at enacted tax laws and rates of the periods in which the related temporary differences are expected to reverse. As a result, fiscal budget changes and/or changes in income tax laws that affect a change in the timing, the amount, and/or the income tax rate at which the temporary difference components will reverse, could materially affect the Company. Deferred income taxes have not been recognized on temporary differences related to investments in foreign subsidiaries where the Company intends and is able to indefinitely reinvest the underlying earnings and it is not apparent that such differences will reverse in the foreseeable future. The Company has not determined the amount of the related unrecognized deferred income tax liability because such determination is not practicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On an annual basis, the Company assesses the need to establish a valuation allowance for its deferred income tax assets, and if it is deemed more likely than not that its deferred income tax assets will not be realized, a valuation allowance is recorded. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income, of the necessary character, during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, the available carryback and carryforward periods, and projected future taxable income in making this assessment. As at December 31, 2025, in order to fully realize all of the deferred income tax assets excluding the tax-deductible goodwill, the Company will need to generate future taxable income of approximately \$3.3 billion, and, based upon the level of historical taxable income, projections of future taxable income of the necessary character over the periods in which the deferred income tax assets are deductible, and the reversal of taxable temporary differences, management believes, following an assessment of the current economic environment, it is more likely than not that the Company will realize the benefits of these deductible differences. Management believes it is more likely than not that CN will fully realize the benefits of the remaining \$5.2 billion unamortized tax-deductible goodwill because under the current tax laws the Company has the ability and intent to maintain the necessary intercompany arrangements that will generate sufficient future taxable income of the appropriate character in the non-U.S. foreign jurisdiction, and to fully utilize the tax-deductible goodwill.

Unrecognized tax benefits

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Gross unrecognized tax benefits at beginning of year	\$	41	\$ 46	\$ 52
Increases for:				
Tax positions related to the current year		4	4	4
Decrease for:				
Tax positions related to prior years		(3)	(8)	(8)
Settlements		(1)	(1)	(2)
Gross unrecognized tax benefits at end of year		41	41	46
Adjustments to reflect tax treaties and other arrangements		(16)	(13)	(14)
Net unrecognized tax benefits at end of year	\$	25	\$ 28	\$ 32

As at December 31, 2025, the total amount of gross unrecognized tax benefits was \$41 million, before considering tax treaties and other arrangements between taxation authorities. The amount of net unrecognized tax benefits as at December 31, 2025 was \$25 million. If recognized, all of the net unrecognized tax benefits as at December 31, 2025 would affect the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in Income tax expense in the Statements of Income. The Company recorded a net tax recovery of \$3 million related to net interest and penalties for the year ended December 31, 2025 and a net tax expense of \$4 million and \$1 million related to net interest and penalties for the years ended December 31, 2024 and December 31, 2023 respectively. As at December 31, 2025, the Company had accrued interest and penalties of \$15 million (2024 - \$18 million).

In Canada, the Company's federal and provincial income tax returns filed for the years 2019 to 2024 remain subject to examination by the taxation authorities. An examination of the Company's federal income tax returns for the years 2019 to 2022 are currently in progress and years 2019 to 2021 are expected to be completed during 2026. In the U.S., the federal income tax returns filed for the years 2022 to 2024 and the state income tax returns filed for the years 2018 to 2024 remain subject to examination by the taxation authorities. The Company does not anticipate any significant impacts to its results of operations or financial position as a result of the final resolutions of such matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 – Earnings per share

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	2025	2024	2023
Net income	\$	4,720	\$ 4,448	\$ 5,625
Weighted-average basic shares outstanding		623.1	633.5	657.7
Dilutive effect of stock-based compensation		0.6	1.0	1.4
Weighted-average diluted shares outstanding		623.7	634.5	659.1
Basic earnings per share	\$	7.58	\$ 7.02	\$ 8.55
Diluted earnings per share	\$	7.57	\$ 7.01	\$ 8.53
Units excluded from the calculation as their inclusion would not have a dilutive effect				
Stock options		2.2	1.2	1.0
Performance share units		0.7	0.4	0.5

9 – Accounts receivable

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Freight	\$	884	\$ 966
Non-freight		252	219
Gross accounts receivable		1,136	1,185
Allowance for credit losses		(19)	(21)
Net accounts receivable	\$	1,117	\$ 1,164

10 – Other current assets

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Prepaid expenses	\$	208	\$ 113
Income taxes receivable		—	143
Derivative instruments (Note 22)		—	38
Other		49	40
Total other current assets	\$	257	\$ 334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 – Properties

As at	December 31, 2025				December 31, 2024			
	Depreciation rate ⁽¹⁾	Cost	Accumulated Depreciation	Net	Depreciation rate ⁽¹⁾	Cost	Accumulated Depreciation	Net
In millions								
Properties including finance leases								
Track and roadway ⁽²⁾	2 %	\$ 48,970	\$ 10,678	\$ 38,292	3 %	\$ 48,744	\$ 11,557	\$ 37,187
Rolling stock	4 %	9,527	3,786	5,741	4 %	9,482	3,642	5,840
Buildings	3 %	2,579	930	1,649	3 %	2,452	848	1,604
Information technology ⁽³⁾	8 %	3,277	1,597	1,680	9 %	3,128	1,460	1,668
Other	6 %	3,314	1,528	1,786	5 %	3,116	1,455	1,661
Total properties including finance leases ⁽⁴⁾		\$ 67,667	\$ 18,519	\$ 49,148		\$ 66,922	\$ 18,962	\$ 47,960
Finance leases included in properties								
Track and roadway ⁽⁵⁾		\$ 405	\$ 115	\$ 290		\$ 405	\$ 110	\$ 295
Rolling stock		12	2	10		12	2	10
Buildings		27	13	14		27	12	15
Other		97	43	54		102	41	61
Total finance leases included in properties		\$ 541	\$ 173	\$ 368		\$ 546	\$ 165	\$ 381

(1) Represents the weighted average depreciation rate.

(2) As at December 31, 2025, includes land of \$2,628 million (2024 - \$2,682 million).

(3) In 2025, the Company capitalized costs for internally developed software and related licenses of \$173 million (2024 - \$235 million).

(4) In 2025, property additions, net of finance leases, were \$3,658 million (2024 - \$3,549 million), of which \$1,639 million (2024 - \$1,564 million) related to track and railway infrastructure maintenance, including the replacement of rail, ties, bridge improvements, and other general track maintenance.

(5) As at December 31, 2025, includes right-of-way access of \$106 million (2024 - \$106 million).

Government assistance

For the year ended December 31, 2025 and 2024, the Company received \$126 million and \$78 million, respectively, of government assistance towards the purchase and self-construction of properties.

As at December 31, 2025 and 2024, the total Properties balance of \$49,148 million and \$47,960 million, respectively, is net of \$1,767 million and \$1,721 million of unamortized government assistance, respectively, primarily related to the enhancement of CN's track and roadway infrastructure. For the year ended December 31, 2025 and 2024, Depreciation and amortization expense on the Consolidated Statements of Income is presented net of amortization of government assistance of \$75 million and \$68 million, respectively.

12 – Leases

Lease costs

In millions	Year ended December 31,		2025	2024	2023
Operating lease cost		\$	160	\$ 153	\$ 149
Short-term lease cost			54	54	39
Variable lease cost ⁽¹⁾			44	41	43
Amortization of finance right-of-use assets			11	11	11
Total lease cost ⁽²⁾		\$	269	\$ 259	\$ 242

(1) Mainly relates to leases of trucks for the Company's freight delivery service contracts.

(2) Includes lease costs from Purchased services and material and Equipment rents in the Consolidated Statements of Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Classification

<i>In millions</i>	Classification	<i>As at December 31,</i>	2025	2024
Lease right-of-use assets				
Finance leases	Properties	\$	368	\$ 381
Operating leases	Operating lease right-of-use assets		440	485
Total lease right-of-use assets		\$	808	\$ 866
Lease liabilities				
Current				
Finance leases	Current portion of long-term debt	\$	4	\$ 1
Operating leases	Accounts payable and other		108	134
Noncurrent				
Finance leases	Long-term debt		1	6
Operating leases	Operating lease liabilities		316	343
Total lease liabilities		\$	429	\$ 484

Terms and discount rates

	<i>As at December 31,</i>	2025	2024
Weighted-average remaining lease term (years)			
Finance leases		1.7	2.7
Operating leases		16.1	15.0
Weighted-average discount rate (%)			
Finance leases		4.09	4.24
Operating leases		4.66	4.50

Additional information

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Cash paid for amounts included in the measurement of lease liabilities (\$)				
Operating cash outflows from operating leases		153	152	148
Financing cash outflows from finance leases		2	31	2
Right-of-use assets obtained in exchange for lease liabilities (\$)				
Operating lease		85	234	91
Finance lease		—	—	30

Lease liabilities maturities

<i>In millions</i>	Finance leases	Operating leases
2026	\$ 4	\$ 128
2027	1	99
2028	—	64
2029	—	33
2030	—	23
2031 & thereafter	—	327
Total lease payments	5	674
Less: Imputed interest	—	250
Present value of lease payments	\$ 5	\$ 424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 – Intangible assets, goodwill and other

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Deferred costs	\$	137	\$ 118
Intangible assets		120	128
Investments ⁽¹⁾		111	428
Goodwill		100	71
Long-term receivables		6	16
Other long-term assets		49	12
Total intangible assets, goodwill and other	\$	523	\$ 773

(1) As at December 31, 2025, the Company had \$73 million (2024 - \$389 million) of investments accounted for under the equity method, see Note 3 – Business acquisitions and combinations; and \$38 million (2024 - \$39 million) of investments for which fair value was not readily determinable accounted for at cost minus impairment, plus or minus observable price changes.

14 – Accounts payable and other

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Trade payables	\$	890	\$ 1,031
Income and other taxes		430	327
Payroll-related accruals		421	438
Accrued charges		287	343
Accrued interest		249	253
Operating lease liabilities (Note 12)		108	134
Personal injury and other claims provisions (Note 21)		71	47
Environmental provisions (Note 21)		38	40
Other postretirement benefits liability (Note 17)		10	10
Derivative instruments (Note 22)		10	–
Contract liabilities (Note 4)		7	5
Other		269	182
Total accounts payable and other	\$	2,790	\$ 2,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 – Debt

<i>In millions</i>		Maturity	US\$ denominated amount	<i>As at December 31,</i>	2025	2024
Notes and debentures ⁽¹⁾						
Canadian National series ⁽²⁾						
2.80%	10-year notes	Sep 22, 2025			—	350
2.75%	10-year notes	Mar 1, 2026	US\$	500	686	719
6.90%	30-year notes	Jul 15, 2028	US\$	475	652	683
3.20%	10-year notes	Jul 31, 2028			350	350
3.00%	10-year notes	Feb 8, 2029			350	350
4.60%	5-year notes	May 2, 2029			700	700
4.15%	7-year notes	May 10, 2030			550	550
3.50%	5-year notes	Jun 10, 2030			500	—
4.20%	5-year notes	Mar 12, 2031	US\$	300	412	—
7.38%	30-year debentures	Oct 15, 2031	US\$	200	274	288
3.85%	10-year notes	Aug 5, 2032	US\$	800	1,098	1,151
4.40%	10-year notes	May 10, 2033			400	400
5.85%	10-year notes	Nov 1, 2033	US\$	300	412	431
6.25%	30-year notes	Aug 1, 2034	US\$	500	686	719
4.38%	10-year notes	Sep 18, 2034	US\$	750	1,029	1,079
4.20%	10-year notes	Jun 10, 2035			500	—
4.75%	10-year notes	Nov 12, 2035	US\$	400	549	—
6.20%	30-year notes	Jun 1, 2036	US\$	450	618	647
6.71%	Puttable Reset Securities PURS SM	Jul 15, 2036	US\$	250	343	360
6.38%	30-year debentures	Nov 15, 2037	US\$	300	412	431
3.50%	30-year notes	Nov 15, 2042	US\$	250	343	360
4.50%	30-year notes	Nov 7, 2043	US\$	250	343	360
3.95%	30-year notes	Sep 22, 2045			400	400
3.20%	30-year notes	Aug 2, 2046	US\$	650	892	935
3.60%	30-year notes	Aug 1, 2047			500	500
3.65%	30-year notes	Feb 3, 2048	US\$	600	823	863
3.60%	30-year notes	Jul 31, 2048			450	450
4.45%	30-year notes	Jan 20, 2049	US\$	650	892	935
3.60%	30-year notes	Feb 8, 2049			450	450
3.05%	30-year notes	Feb 8, 2050			450	450
2.45%	30-year notes	May 1, 2050	US\$	600	823	863
4.40%	30-year notes	Aug 5, 2052	US\$	700	961	1,007
4.70%	30-year notes	May 10, 2053			800	800
6.13%	30-year notes	Nov 1, 2053	US\$	300	412	431
5.10%	30-year notes	May 2, 2054			550	550
4.00%	50-year notes	Sep 22, 2065			100	100
Illinois Central series						
7.70%	100-year debentures	Sep 15, 2096	US\$	125	172	180
BC Rail series						
	Non-interest bearing 90-year subordinated notes ⁽³⁾	Jul 14, 2094			842	842
Total notes and debentures					20,724	19,684
Other						
	Commercial paper				124	721
	Finance leases				5	7
	Equipment loans and other ⁽⁴⁾				1,365	1,489
Total debt, gross					22,218	21,901
Fair value hedging adjustment ⁽⁵⁾					(11)	—
Net unamortized discount and debt issuance costs ⁽³⁾					(1,001)	(1,007)
Total debt ⁽⁵⁾					21,206	20,894
Less: Current portion of long-term debt					906	1,166
Total long-term debt					\$ 20,300	\$ 19,728

(1) The Company's notes and debentures are unsecured.

(2) The fixed rate debt securities are redeemable, in whole or in part, at the option of the Company, at any time, at the greater of par and a formula price based on interest rates prevailing at the time of redemption.

(3) As at December 31, 2025, these notes were recorded as a discounted debt of \$17 million (2024 - \$16 million) using an imputed interest rate of 5.75% (2024 - 5.75%). The discount of \$825 million (2024 - \$826 million) is included in Net unamortized discount and debt issuance costs.

(4) Includes \$1,329 million (2024 - \$1,449 million) of equipment loans under the non-revolving credit facilities. Also included is \$36 million (2024 - \$40 million) of other loans payable monthly at a weighted average interest rate of 2.30% (2024 - 2.35%).

(5) See Note 22 – Financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes and debentures

For the year ended December 31, 2025, the Company issued and repaid the following:

- On November 12, 2025, issuance of US\$300 million (\$421 million) 4.20% Notes due 2031 and US\$400 million (\$561 million) 4.75% Notes due 2035 in the U.S. capital markets, which resulted in total net proceeds of \$970 million;
- On September 22, 2025, repayment of \$350 million 2.80% Notes due 2025 upon maturity; and
- On June 10, 2025, issuance of \$500 million 3.50% Notes due 2030 and \$500 million 4.20% Notes due in 2035 in the Canadian capital markets, which resulted in total net proceeds of \$995 million.

For the year ended December 31, 2024, the Company issued and repaid the following:

- On November 21, 2024, repayment of US\$350 million (\$490 million) 2.95% Notes due 2024 upon maturity;
- On September 18, 2024, issuance of US\$750 million (\$1,020 million) 4.38% Notes due 2034 in the U.S. capital markets, which resulted in total net proceeds of \$1,011 million; and
- On May 2, 2024, issuance of \$700 million 4.60% Notes due 2029 and \$550 million 5.10% Notes due 2054 in the Canadian capital markets, which resulted in total net proceeds of \$1,242 million.

Revolving credit facilities

The Company has unsecured revolving credit facilities with a consortium of lenders. The unsecured credit facility of \$2.5 billion is available for general corporate purposes and backstopping the Company's commercial paper programs. The facility consists of two tranches of \$1.25 billion and was amended on March 28, 2025 to extend the tenor of each tranche by one year to, respectively, March 31, 2028 and March 31, 2030. This revolving credit facility agreement is structured as a sustainability linked loan whereby its applicable margins are adjusted up or down based on the Company's performance under certain sustainability goals. The unsecured credit facility of \$1.0 billion is available for general corporate purposes and was amended on March 28, 2025 to extend its tenor by one year to March 17, 2027.

Subject to the consent of the individual lenders, the Company may increase the revolving credit facilities by an additional \$500 million each during their respective terms and to request an extension of the \$2.5 billion credit facility once a year to maintain the tenors of three year and five year of the respective tranches.

As at December 31, 2025 and 2024, the Company had no outstanding borrowings under these revolving credit facilities and there were no draws in 2025 and 2024.

Both revolving credit facility agreements have one financial covenant, which limits debt as a percentage of total capitalization. As at December 31, 2025, the Company was in compliance with its financial covenant.

Equipment loans

The Company has various secured non-revolving term loan credit facilities for financing or refinancing the purchase of equipment. The equipment loans made under the non-revolving credit facilities have a tenor at inception varying from 15 to 20 years and are secured by rolling stock. Borrowings under the non-revolving term loan facilities are provided at Secured Overnight Financing Rate (SOFR) or Canadian Overnight Repo Rate Average (CORRA) plus applicable margins.

On March 22, 2024, the Company issued a \$412 million equipment loan and on October 29, 2024, the Company issued a \$366 million equipment loan under these facilities. In 2025, the Company repaid \$88 million (2024 - \$63 million) of its equipment loans. As at December 31, 2025, the Company had outstanding borrowings of \$1,329 million (2024 - \$1,449 million), at a weighted-average interest rate of 3.85% (2024 - 4.79%), and had no further amounts available to be drawn under these facilities (2024 - \$nil).

Commercial paper

The Company has a commercial paper program in Canada and in the U.S. Both programs are backstopped by the Company's \$2.5 billion revolving credit facility. The maximum aggregate principal amount of commercial paper that can be issued is \$2.5 billion, or the US dollar equivalent, on a combined basis.

As at December 31, 2025 and 2024, the Company had total commercial paper borrowings of US\$90 million (\$124 million) and US\$501 million (\$721 million), respectively, at a weighted-average interest rate of 3.79% and 4.73%, respectively, presented in Current portion of long-term debt on the Consolidated Balance Sheets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Commercial paper with maturities less than 90 days				
Issuance	\$	25,471	\$ 18,564	\$ 13,767
Repayment		(25,859)	(19,851)	(13,090)
Change in commercial paper with maturities less than 90 days, net	\$	(388)	\$ (1,287)	\$ 677
Commercial paper with maturities of 90 days or greater				
Issuance	\$	—	\$ 1,682	\$ 1,871
Repayment		(224)	(1,776)	(1,640)
Change in commercial paper with maturities of 90 days or greater, net	\$	(224)	\$ (94)	\$ 231
Change in commercial paper, net	\$	(612)	\$ (1,381)	\$ 908

Accounts receivable securitization program

The Company has an agreement to sell an undivided co-ownership interest in a revolving pool of accounts receivable to unrelated trusts for maximum cash proceeds of \$450 million. On March 28, 2025, the Company extended the term of its agreement by one year to February 2, 2027.

The Company has retained the responsibility for servicing, administering and collecting the receivables sold. The average servicing period is approximately one month and the interest on borrowings under the accounts receivable securitization program is renewed based on commercial paper rates then in effect, or CORRA or SOFR if the commercial paper market is inaccessible.

During the year ended December 31, 2025, the Company had no proceeds from the accounts receivable securitization program (2024 - \$450 million) and no repayments (2024 - \$450 million).

As at December 31, 2025 and 2024, the Company had no outstanding borrowings under the accounts receivable securitization program.

Bilateral letter of credit facilities

The Company has a series of committed and uncommitted bilateral letter of credit facility agreements. On March 28, 2025, the Company extended the maturity date of its committed bilateral letter of credit facility agreements to April 28, 2028. The agreements are held with various banks to support the Company's requirements to post letters of credit in the ordinary course of business. Under these agreements, the Company has the option from time to time to pledge collateral in the form of cash or cash equivalents, for a minimum term of one month, equal to at least the face value of the letters of credit outstanding.

As at December 31, 2025, the Company had outstanding letters of credit of \$321 million (2024 - \$329 million) under the committed facilities from a total available amount of \$362 million (2024 - \$366 million) and \$153 million (2024 - \$142 million) under the uncommitted facilities.

Debt maturities

<i>In millions</i>	Debt⁽¹⁾
2026	\$ 902
2027	77
2028	1,079
2029	1,129
2030	1,130
2031 & thereafter	16,884
Total	21,201
Finance lease liabilities ⁽²⁾	5
Total debt	\$ 21,206

(1) Presented net of unamortized discounts and debt issuance costs.

(2) See Note 12 – Leases for maturities of finance lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount of US dollar-denominated debt

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Notes and debentures	US\$	9,350	US\$ 8,650
Commercial paper		90	501
Finance lease liabilities		4	5
Equipment loans and other		473	506
Total amount of US dollar-denominated debt in US\$	US\$	9,917	US\$ 9,662
Total amount of US dollar-denominated debt in C\$	\$	13,610	\$ 13,898

16 – Other liabilities and deferred credits

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Contract liabilities (Note 4) ⁽¹⁾	\$	520	\$ 186
Personal injury and other claims provisions (Note 21) ⁽¹⁾		239	237
Environmental provisions (Note 21) ⁽¹⁾		26	16
Stock-based compensation liability		4	4
Deferred credits and other		210	169
Total other liabilities and deferred credits	\$	999	\$ 612

(1) See Note 14 – Accounts payable and other for the related current portion.

17 – Pensions and other postretirement benefits

The Company has various retirement benefit plans under which substantially all of its employees are entitled to benefits at retirement age, generally based on compensation and length of service and/or contributions. Senior and executive management employees, subject to certain minimum service and age requirements, are also eligible for an additional retirement benefit under their Special Retirement Stipend Agreements, the Supplemental Executive Retirement Plan or the Defined Contribution Supplemental Executive Retirement Plan.

The Company also offers postretirement benefits to certain employees providing life insurance, medical benefits and, for a closed group of employees, free rail travel benefits during retirement. These postretirement benefits are funded as they become due. The information in the tables that follow pertains to all of the Company's defined benefit plans. During the first quarter of 2025, one of CN's Canadian defined contribution pension plans was merged into the CN Pension Plan and did not result in a remeasurement of the funded status of that plan. Unless otherwise specified, the following descriptions relate solely to the defined benefit component of the CN Pension Plan.

Description of the CN Pension Plan

The CN Pension Plan is comprised of both a defined benefit component and a defined contribution component. The defined benefit component represents a contributory defined benefit plan that covers the majority of CN employees. It provides for pensions based mainly on years of service and final average pensionable earnings and is generally applicable from the first day of employment. Indexation of pensions is provided after retirement through a gain/loss sharing mechanism, subject to guaranteed minimum increases. An independent trust company is the Trustee of the Company's pension trust funds (which includes the CN Pension Trust Fund). As Trustee, the trust company performs certain duties, which include holding legal title to the assets of the CN Pension Trust Fund and ensuring that the Company, as Administrator, complies with the provisions of the CN Pension Plan and the related legislation. The Company utilizes a measurement date of December 31 for the CN Pension Plan.

Funding policy

Employee contributions to the CN Pension Plan are determined by the plan rules. Company contributions are in accordance with the requirements of the Government of Canada legislation, the *Pension Benefits Standards Act, 1985*, including amendments and regulations thereto, and such contributions follow minimum and maximum thresholds as determined by actuarial valuations. Actuarial valuations are generally required on an annual basis for all Canadian defined benefit pension plans, or when deemed appropriate and as required by regulations by the Office of the Superintendent of Financial Institutions. These actuarial valuations are prepared in accordance with legislative requirements and with the recommendations of the Canadian Institute of Actuaries for the valuation of pension plans. Actuarial valuations are also required annually for the Company's U.S. qualified defined benefit pension plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's most recently filed actuarial valuations for funding purposes for its Canadian registered defined benefit pension plans conducted as at December 31, 2024 indicated a funding excess on a going concern basis of approximately \$5.3 billion and a funding excess on a solvency basis of approximately \$3.4 billion, calculated using the three-year average of the plans' hypothetical wind-up ratio in accordance with the *Pension Benefit Standards Regulations, 1985*. The federal pension legislation requires funding deficits, if any, to be paid over a number of years, as calculated under current pension regulations. Alternatively, a letter of credit can be subscribed to fulfill required solvency deficit payments.

Given the solvency ratio of certain Canadian registered defined benefit pension plans is above a specified threshold as at the last filed actuarial valuation, their next actuarial valuation for funding purposes would be required as at December 31, 2027, to be performed in 2028, although the valuation may be conducted earlier at the Company's discretion for those plans. Should the Company decide to use its discretion and file all valuations as at December 31, 2025 in 2026, they would be expected to identify a funding excess on a going concern basis of approximately \$5.4 billion, while on a solvency basis a funding excess of approximately \$4.2 billion is expected. Based on the anticipated results of these valuations, the CN Pension Plan is expected to remain fully funded and at a level such that the Company would continue to be prohibited from making contributions to the defined benefit component of the CN Pension Plan in 2026. As such, total cash contributions of approximately \$60 million are expected to be made in 2026 for all pension plans other than the defined benefit component of the CN Pension Plan. As at February 4, 2026, the Company had contributed \$2 million to its defined benefit pensions for 2026.

Plan assets

The assets of the Company's various Canadian defined benefit pension plans are primarily held in separate trust funds ("Trusts") which are diversified by asset type, geography, sector and investment strategy. Each year, the CN Board of Directors reviews and confirms or amends the Statement of Investment Policies and Procedures (SIPP) which includes the plans' long-term target asset allocation ("Policy") and related benchmark indices. This Policy is based on the long-term expectations of the economy and financial market returns and considers the dynamics of the plans' pension benefit obligations. In 2025, the Policy was amended to implement a target asset allocation change to resource and royalties, infrastructure and the specialty portfolio since the latter was terminated effective January 1, 2025.

The CN Investment Division ("Investment Manager"), a division of the Company created to invest and administer the assets of the plan, can also implement an investment strategy ("Strategy") which can lead the plan's actual asset allocation to deviate from the Policy due to changing market risks and opportunities. The Pension Advisory Working Committee of the Board of Directors ("Committee") regularly compares the actual plan asset allocation to the Policy and Strategy and compares the actual performance of the Company's pension plan assets to the performance of the benchmark indices.

Actual asset allocation

Asset Categories	Policy	Actual plan asset allocation	
		2025	2024
Cash and short-term investments	2 %	1 %	1 %
Bonds	46 %	48 %	47 %
Emerging market debt	2 %	2 %	2 %
Private debt	3 %	4 %	5 %
Equities	32 %	35 %	30 %
Real estate	4 %	3 %	3 %
Resource and royalties	6 %	8 %	7 %
Infrastructure	5 %	3 %	4 %
Specialty portfolio	— %	— %	2 %
Absolute return	12 %	15 %	15 %
Funding	(12 %)	(19 %)	(16 %)
Total	100 %	100 %	100 %

The Committee's approval is required for all major investments in illiquid securities. The SIPP allows for the use of derivative financial instruments to implement strategies, hedge and adjust existing or anticipated exposures. The SIPP prohibits investments in securities of the Company or its subsidiaries. Investments held in the Company's pension plans consist mainly of the following:

- Cash and short-term investments consist of highly liquid securities which ensure adequate cash flows are available to cover near-term benefit payments as well as anticipated cash requirements needed to support derivative instruments or any other contractual commitment. Short-term investments are mainly obligations issued by Canadian chartered banks and by Canadian governments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Bonds include bond instruments, issued or guaranteed by governments and non-government entities, and asset-backed securities. As at December 31, 2025, 74% (2024 - 74%) of bonds were issued or guaranteed by Canadian, U.S. or other governments.
- Emerging market debt consists of units of co-mingled funds or in separate accounts managed by external managers whose mandate is to invest in debt instruments of emerging market countries.
- Private debt includes participations in private debt securities and funds focused on generating steady yields.
- Equity investments include publicly traded securities diversified by industry sector, geography and issuer and investments in private equity funds. As at December 31, 2025, the most significant allocation to an individual issuer of a publicly traded security was 7% (2024 - 8%) and the most significant allocation to an industry sector was 30% (2024 - 26%).
- Real estate is a diversified portfolio of Canadian land and commercial properties and investments in global real estate private equity funds.
- Resource and royalties investments include petroleum, natural gas and mineral properties and listed and non-listed securities of resource and energy transition companies.
- Infrastructure investments include participations in private infrastructure funds.
- Specialty portfolio consists of mainly private equities and private debt investments. Effective January 1, 2025, the specialty portfolio strategy was terminated.
- Absolute return investments are primarily a portfolio of units of externally managed hedge funds, which are invested in various long/short and derivatives strategies within multi-strategy, fixed income, commodity, equity, global macro funds and downside protection. Managers are monitored on a continuous basis through investment and operational due diligence.
- Funding has been added to reflect the mandate permitted by the Policy and how the assets are currently managed. Consequently, the 2024 figures in the actual plan asset allocation have been reclassified to conform to the current year's presentation. Funding can include derivatives, a certain level of financing associated with securities sold under repurchase agreements, and other operating assets that form part of the Plan's net asset position used in assessing funding requirements. In 2025, there was a decrease in the use of derivative instruments offset by an increased use of securities sold under repurchase agreements. While Funding at the end of 2025 exceeded the negative 12% limit set in the Policy, it remains within permitted deviations.

The plans' Investment Manager monitors market events and risk exposures to foreign currencies, interest rates, market risks, credit risks and liquidity risks daily. When investing in foreign securities, the plans are exposed to foreign currency risk that may be adjusted or hedged. As at December 31, 2025, net of the adjusted or hedged amount, the plans were 62% (2024 - 59%) exposed to the Canadian dollar, 27% (2024 - 27%) to the US dollar, 6% (2024 - 8%) to European currencies, 1% (2024 - 1%) to the Japanese Yen and 4% (2024 - 5%) to various other currencies. Interest rate risk represents the risk that the fair value of the investments will fluctuate due to changes in market interest rates. Sensitivity to interest rates is a function of the timing and amount of cash flows of the interest-bearing assets and liabilities of the plans. Derivatives are contractual agreements whose value is derived from interest rates, foreign currencies, commodities, or equities, among other fluctuating inputs and factors. They may include forwards, futures, options and swaps. When derivatives are used for hedging purposes, the gains or losses on the derivatives are offset by a corresponding change in the value of the hedged assets. To manage counterparty credit risk, established policies require dealing with counterparties considered to be of high credit quality. Adequate liquidity is maintained to cover cash flows by monitoring factors such as fair value, collateral pledged and received, repurchase agreements and securities lending agreements.

Overall return in the capital markets and the level of interest rates affect the funded status of the Company's pension plans, particularly the Company's main Canadian pension plan. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuations may have a material adverse effect on the funded status of the plans and on the Company's results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair value of plan assets by asset class

In millions	Fair value measurements at December 31, 2025					NAV
	Total	Level 1	Level 2	Level 3		
Cash and short-term investments ⁽¹⁾	\$ 158	\$ 46	\$ 112	\$ —	\$ —	—
Bonds ⁽²⁾						
Canada, U.S. and supranational	266	—	266	—	—	—
Provinces of Canada and municipalities	6,384	—	6,384	—	—	—
Corporate	2,308	—	2,308	—	—	—
Emerging market debt ⁽³⁾	380	—	380	—	—	—
Private debt ⁽⁴⁾	799	—	—	—	—	799
Public equities ⁽⁵⁾						
Canadian	287	287	—	—	—	—
U.S.	3,325	3,325	—	—	—	—
International	2,180	2,180	—	—	—	—
Private equities ⁽⁶⁾	766	—	—	—	—	766
Real estate ⁽⁷⁾	494	—	—	213	—	281
Resource and royalties ⁽⁸⁾	1,399	411	—	988	—	—
Infrastructure ⁽⁹⁾	521	—	—	—	—	521
Absolute return funds ⁽¹⁰⁾						
Multi-strategy	1,391	—	—	—	—	1,391
Fixed income	65	—	—	—	—	65
Equity	460	—	—	—	—	460
Global macro	859	—	—	—	—	859
Derivative assets ⁽¹¹⁾	102	10	92	—	—	—
Derivative liabilities ⁽¹¹⁾	(39)	—	(39)	—	—	—
Total investments	\$ 22,105	\$ 6,259	\$ 9,503	\$ 1,201	\$ —	5,142
Investment-related liabilities ⁽¹²⁾	(3,619)					
Other ⁽¹³⁾	103					
Total plan assets	\$ 18,589					

Level 1: Fair value based on quoted prices in active markets for identical assets.

Level 2: Fair value based on other significant observable inputs.

Level 3: Fair value based on significant unobservable inputs.

NAV: Investments measured at net asset value as a practical expedient.

Footnotes to the tables follow on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Fair value measurements at December 31, 2024									
In millions	Total		Level 1		Level 2		Level 3		NAV	
Cash and short-term investments ⁽¹⁾	\$	186	\$	61	\$	125	\$	—	\$	—
Bonds ⁽²⁾										
Canada, U.S. and supranational		76		—		76		—		—
Provinces of Canada and municipalities		6,337		—		6,337		—		—
Corporate		2,278		—		2,278		—		—
Emerging market debt ⁽³⁾		380		—		380		—		—
Private debt ⁽⁴⁾		950		—		—		—		950
Public equities ⁽⁵⁾										
Canadian		245		245		—		—		—
U.S.		2,581		2,581		—		—		—
International		2,334		2,334		—		—		—
Private equities ⁽⁶⁾		738		—		—		—		738
Real estate ⁽⁷⁾		519		—		—		238		281
Resource and royalties ⁽⁸⁾		1,324		311		66		947		—
Infrastructure ⁽⁹⁾		653		—		—		—		653
Absolute return funds ⁽¹⁰⁾										
Multi-strategy		1,357		—		—		—		1,357
Fixed income		71		—		—		—		71
Equity		511		—		—		—		511
Global macro		858		—		—		—		858
Derivative assets ⁽¹¹⁾		87		12		75		—		—
Derivative liabilities ⁽¹¹⁾		(183)		—		(183)		—		—
Total investments	\$	21,302	\$	5,544	\$	9,154	\$	1,185	\$	5,419
Investment-related liabilities ⁽¹²⁾		(2,960)								
Other ⁽¹³⁾		93								
Total plan assets	\$	18,435								

Level 1: Fair value based on quoted prices in active markets for identical assets.

Level 2: Fair value based on other significant observable inputs.

Level 3: Fair value based on significant unobservable inputs.

NAV: Investments measured at net asset value as a practical expedient.

Footnotes to the tables follow on the following page.

Fair value of investments classified as Level 3

In millions	Fair value measurements based on significant unobservable inputs (Level 3)		
	Real estate ⁽⁷⁾	Resource and royalties ⁽⁸⁾	Total
Balance at December 31, 2023	\$ 252	\$ 915	\$ 1,167
Actual return relating to assets still held at the reporting date	7	53	60
Purchases	1	69	70
Sales	(6)	—	(6)
Disbursements	(16)	(90)	(106)
Balance at December 31, 2024	238	947	1,185
Actual return relating to assets still held at the reporting date	(17)	61	44
Purchases	—	138	138
Disbursements	(8)	(158)	(166)
Balance at December 31, 2025	\$ 213	\$ 988	\$ 1,201

Footnotes to the tables follow on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (1) Cash and short-term investments with related accrued interest are valued at cost, which approximates fair value, and are categorized as Level 1 and Level 2 respectively.
- (2) Bonds are valued using mid-market prices obtained from independent pricing data suppliers.
- (3) Emerging market debt funds are valued based on the net asset value which is readily available and published by each fund's independent administrator.
- (4) Private debt investments are valued based on the net asset value as reported by each fund's manager, generally based on the present value of future net cash flows using current market yields for comparable instruments. In 2025, \$nil (2024 - \$45 million) of private debt investments are included as part of the specialty portfolio strategy.
- (5) The fair value of public equity investments is based on quoted prices in active markets.
- (6) Private equity investments are valued based on the net asset value as reported by each fund's manager, generally using discounted cash flow analysis or earnings multiples. In 2025, \$nil (2024 - \$338 million) of private equity investments are included as part of the specialty portfolio strategy.
- (7) The fair value of real estate investments categorized as Level 3 includes immovable properties. Land is valued based on the fair value of comparable assets, and income producing properties are valued based on the present value of estimated future net cash flows or the fair value of comparable assets. Independent valuations of all immovable properties are performed triennially on a rotational basis. The fair value of real estate investments categorized as NAV consists mainly of investments in real estate private equity funds and is based on the net asset value as reported by each fund's manager, generally using a discounted cash flow analysis or earnings multiples.
- (8) Resource and royalties investments categorized as Level 1 are valued based on quoted prices in active markets. Almost all of the investments in resource and royalties categorized as Level 3 consist of operating resource and royalties properties and the fair value is based on estimated future net cash flows that are discounted using prevailing market rates for transactions in similar assets. Estimated future net cash flows are based on forecasted oil, gas or other commodity prices and future projected annual production and costs.
- (9) The fair value of infrastructure funds categorized as NAV is based on the net asset value as reported by each fund's manager, generally using a discounted cash flow analysis or earnings multiples.
- (10) Absolute return investments are valued using the net asset value as reported by each fund's independent administrator. All absolute return investments have contractual redemption frequencies, ranging from monthly to annually, and redemption notice periods varying from 5 to 90 days.
- (11) Derivative assets and liabilities are valued using quoted market prices when available and are categorized as Level 1, or based on valuation techniques using market data when quoted market prices are not available and are categorized as Level 2. Derivative financial instruments are now segregated by type rather than by asset category to reflect the instrument's primary underlying risk exposure. Consequently, the 2024 figures have also been reclassified to conform to the current year's presentation, including reclassifying derivative assets and liabilities as separate line items in the fair value of plan assets by asset class table above and removing the corresponding amounts from the related asset categories. The following table presents the fair value asset/unrealized gain or liability/unrealized loss positions and notional values as at December 31, 2025 and 2024:

	Year ended December 31, 2025			Year ended December 31, 2024		
	Fair value			Fair value		
	Notional value ^(a)	Asset/ unrealized gain	Liability/ unrealized loss	Notional value ^(a)	Asset/ unrealized gain	Liability/ unrealized loss
<i>In millions</i>						
Interest rate						
Futures contracts	\$ 259	\$ —	\$ —	\$ 320	\$ —	\$ —
Bond forwards ^(b)	57	4	(5)	51	2	(2)
Bond swaps	464	1	(3)	353	11	(1)
Credit default swaps	552	—	(12)	288	—	(6)
Foreign exchange						
Forward contracts	5,343	63	(3)	4,894	37	(139)
Futures contracts	—	—	—	30	—	—
Options purchased	299	6	(1)	286	9	—
Options written	81	—	(1)	196	—	(5)
Equity						
Futures contracts	183	—	—	166	1	—
Options purchased	31	10	—	48	12	—
Options written	2	—	—	—	—	—
Swaps	1,430	16	(14)	2,062	14	(23)
Commodity						
Futures contracts	3	—	—	—	—	—
Index swaps	195	2	—	144	1	(1)
Swaps	—	—	—	37	—	(6)
Total	\$ 8,899	\$ 102	\$ (39)	\$ 8,875	\$ 87	\$ (183)

(a) Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows under derivative contracts. Notional values are also the basis upon which the returns from, and the fair value of, the contracts is determined. It does not necessarily represent the future cash flows to be exchanged nor does it indicate the exposure to market or credit risks.

(b) Bond forwards include \$154 million (2024 - \$135 million) of notional value of bond forward short positions with \$4 million of assets (2024 - \$1 million) and \$nil of liabilities (2024 - \$nil).

- (12) Investment-related liabilities include securities sold under repurchase agreements. The securities sold under repurchase agreements do not meet the conditions to be removed from the assets and are therefore maintained on the books with an offsetting liability recorded to represent the financing nature of this transaction. These agreements are recorded at cost which together with accrued interest approximates fair value due to their short-term nature.
- (13) Other consists of operating assets of \$170 million (2024 - \$164 million) and liabilities of \$67 million (2024 - \$71 million) required to administer the Trusts' investment assets and the plans' benefits and funding activities. Such assets and liabilities are valued at cost and have not been assigned to a fair value category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Obligations and funded status for defined benefit pension and other postretirement benefit plans

In millions	Year ended December 31,	Pensions		Other postretirement benefits		
		2025	2024	2025	2024	
Change in benefit obligation						
Projected benefit obligation at beginning of year	\$	14,244	\$	14,755	\$	143
Interest cost		604		669		6
Actuarial loss (gain) on projected benefit obligation ⁽¹⁾		(382)		(319)		(4)
Current service cost		80		91		1
Plan participants' contributions		59		63		—
Foreign currency changes		(12)		20		(2)
Benefit payments, settlements and transfers		(1,037)		(1,035)		(10)
Projected benefit obligation at the end of the year ⁽²⁾	\$	13,556	\$	14,244	\$	134
Component representing future salary increases		(47)		(71)		—
Accumulated benefit obligation at end of year	\$	13,509	\$	14,173	\$	134
Change in plan assets						
Fair value of plan assets at beginning of year	\$	18,435	\$	17,533	\$	—
Net employer contributions (withdrawals) ⁽³⁾		(8)		25		—
Plan participants' contributions		59		63		—
Foreign currency changes		(10)		15		—
Actual return on plan assets		1,150		1,834		—
Benefit payments, settlements and transfers		(1,037)		(1,035)		—
Fair value of plan assets at end of year ⁽²⁾	\$	18,589	\$	18,435	\$	—
Funded status - Excess (deficiency) of fair value of plan assets over projected benefit obligation at end of year	\$	5,033	\$	4,191	\$	(134)

(1) The pensions' actuarial gain for the year ended December 31, 2025 was mostly due to a 23 basis point increase in the end of year discount rate. The pensions' actuarial gain for the year ended December 31, 2024 was mostly due to changes in certain demographic-related assumptions including mortality following an experience study conducted during the year.

(2) For the CN Pension Plan, as at December 31, 2025, the projected benefit obligation was \$12,603 million (2024 - \$13,241 million) and the fair value of plan assets was \$17,815 million (2024 - \$17,642 million). The measurement date of all plans is December 31.

(3) Withdrawals reflect transfers of assets to fund the Company's contributions related to the defined contribution component of the CN Pension Plan following the merger.

Amounts recognized in the Consolidated Balance Sheets

In millions	As at December 31,	Pensions		Other postretirement benefits	
		2025	2024	2025	2024
Noncurrent assets - Pension asset		\$ 5,362	\$ 4,541	\$ —	\$ —
Current liabilities (Note 14)		—	—	(10)	(10)
Noncurrent liabilities - Pension and other postretirement benefits		(329)	(350)	(124)	(133)
Total amount recognized		\$ 5,033	\$ 4,191	\$ (134)	\$ (143)

Amounts recognized in Accumulated other comprehensive loss (Note 20)

In millions	As at December 31,	Pensions		Other postretirement benefits	
		2025	2024	2025	2024
Net actuarial gain (loss)		\$ (1,589)	\$ (2,019)	\$ 24	\$ 26
Prior service credit (cost)		\$ —	\$ —	\$ 11	\$ 15

Information for defined benefit pension plans with an accumulated benefit obligation in excess of plan assets

In millions	As at December 31,	Pensions	
		2025	2024
Accumulated benefit obligation ⁽¹⁾		\$ 434	\$ 456
Fair value of plan assets ⁽¹⁾		\$ 104	\$ 106

(1) All of the Company's other postretirement benefit pension plans have an accumulated benefit obligation in excess of plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information for defined benefit pension plans with a projected benefit obligation in excess of plan assets

In millions	As at December 31,	Pensions	
		2025	2024
Projected benefit obligation		\$ 434	\$ 456
Fair value of plan assets		\$ 104	\$ 106

Components of net periodic benefit cost (income) for defined benefit pension and other postretirement benefit plans

In millions	Year ended December 31,	Pensions			Other postretirement benefits		
		2025	2024	2023	2025	2024	2023
Current service cost		\$ 80	\$ 91	\$ 83	\$ 1	\$ 1	\$ 1
Other components of net periodic benefit cost (income)							
Interest cost		604	669	703	6	7	7
Expected return on plan assets		(1,160)	(1,182)	(1,186)	—	—	—
Amortization of prior service cost (credit)		—	—	—	(4)	(4)	(3)
Amortization of net actuarial loss (gain)		58	62	7	(6)	(6)	(7)
Total Other components of net periodic benefit cost (income)		\$ (498)	\$ (451)	\$ (476)	\$ (4)	\$ (3)	\$ (3)
Net periodic benefit cost (income)		\$ (418)	\$ (360)	\$ (393)	\$ (3)	\$ (2)	\$ (2)

Weighted-average assumptions used in accounting for defined benefit pension and other postretirement benefit plans

	As at December 31,	Pensions			Other postretirement benefits		
		2025	2024	2023	2025	2024	2023
To determine projected benefit obligation							
Discount rate ⁽¹⁾		4.88 %	4.65 %	4.64 %	4.95 %	4.85 %	4.71 %
Rate of compensation increase ⁽²⁾		2.75 %	2.75 %	2.75 %	2.75 %	2.75 %	2.75 %
To determine net periodic benefit cost (income)							
Rate to determine current service cost ⁽³⁾		4.80 %	4.62 %	5.25 %	5.03 %	4.73 %	5.17 %
Rate to determine interest cost ⁽³⁾		4.30 %	4.61 %	5.21 %	4.52 %	4.68 %	5.23 %
Rate of compensation increase ⁽²⁾		2.75 %	2.75 %	2.75 %	2.75 %	2.75 %	2.75 %
Expected return on plan assets ⁽⁴⁾		7.10 %	7.30 %	7.60 %	N/A	N/A	N/A

(1) The Company's discount rate assumption, which is set annually at the end of each year, is determined by management with the aid of third-party actuaries. The discount rate is used to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments with a rating of AA or better, would provide the necessary cash flows to pay for pension benefits as they become due. For the Canadian pension and other postretirement benefit plans, future expected benefit payments are discounted using spot rates based on a derived AA corporate bond yield curve for each maturity year.

(2) The rate of compensation increase is determined by the Company based upon its long-term plans for such increases.

(3) The Company uses the spot rate approach to measure current service cost and interest cost for all defined benefit pension and other postretirement benefit plans. Under the spot rate approach, individual spot discount rates along the same yield curve used in the determination of the projected benefit obligation are applied to the relevant projected cash flows at the relevant maturity.

(4) The expected long-term rate of return is determined based on expected future performance for each asset class and is weighted based on the investment policy. For 2025, the Company used a long-term rate of return assumption of 7.10% on the market-related value of plan assets to compute net periodic benefit cost (income). The Company has elected to use a market-related value of assets whereby realized and unrealized gains/losses and appreciation/depreciation in the value of investments are recognized over a period of five years, while investment income is recognized immediately. The market-related value is also subject to a corridor approach to not exceed 110% or be less than 90% of the fair value and any amount causing the market-related value to be outside the 10% corridor is recognized immediately in the market-related value of assets. In 2026, the Company will maintain the expected long-term rate of return of 7.10% reflecting management's current view of long-term investment returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expected future benefit payments

<i>In millions</i>		Pensions	Other postretirement benefits
2026	\$	1,032	\$ 10
2027	\$	1,021	\$ 10
2028	\$	1,008	\$ 10
2029	\$	995	\$ 10
2030	\$	983	\$ 10
Years 2031 to 2035	\$	4,693	\$ 45

Defined contribution and other plans

The Company maintains defined contribution pension plans for salaried employees as well as certain employees covered by collective bargaining agreements. Effective April 1, 2024, all non-unionized members impacted by the defined benefit plan freeze were transferred to the Company's defined contribution pension plans for their future service. The Company also maintains other plans including a Section 401(k) savings plan for U.S. based employees. The Company's contributions under these plans were expensed as incurred and, in 2025, amounted to \$50 million (2024 - \$44 million; 2023 - \$26 million).

Contributions to multi-employer plan

Under collective bargaining agreements, the Company participates in a multi-employer benefit plan named the Railroad Employees National Early Retirement Major Medical Benefit Plan which provides certain postretirement health care benefits to certain retirees. The Company's contributions under this plan were expensed as incurred and amounted to \$3 million in 2025 (2024 - \$4 million; 2023 - \$6 million). The annual contribution rate for the plan was \$46.34 per month per active employee for 2025 (2024 - \$67.05). The plan covered 128 retirees in 2025 (2024 - 148 retirees).

18 – Share capital

Authorized capital stock

The authorized capital stock of the Company is as follows:

- Unlimited number of Common Shares, without par value
- Unlimited number of Class A Preferred Shares, without par value, issuable in series
- Unlimited number of Class B Preferred Shares, without par value, issuable in series

Common shares

<i>In millions</i>	<i>As at December 31,</i>	2025	2024	2023
Issued common shares		614.4	628.8	643.8
Common shares in Share Trusts		(1.1)	(0.9)	(1.1)
Outstanding common shares		613.3	627.9	642.7

Repurchase of common shares

The Company may repurchase its common shares pursuant to a Normal Course Issuer Bid (NCIB) at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the Toronto Stock Exchange. The Company may repurchase up to 20.0 million common shares between February 4, 2025 and February 3, 2026 under its NCIB. As at December 31, 2025, the Company had repurchased 14.3 million common shares under this NCIB.

On June 20, 2024, the Canadian government enacted legislation implementing a two percent tax on net share repurchases made on or after January 1, 2024. As a result, the Company has accrued a liability of \$39 million for the net share repurchases made during the year ended December 31, 2025 (2024 - \$51 million), which was accounted for as a direct cost of common share repurchases and recorded in Shareholders' equity. The tax obligation is required to be paid within the first quarter of the following year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	2025	2024	2023
Number of common shares repurchased		14.9	15.4	29.1
Weighted-average price per share ⁽¹⁾	\$	137.51	\$ 172.07	\$ 156.37
Amount of repurchase ⁽¹⁾	\$	2,047	\$ 2,651	\$ 4,551

(1) Includes brokerage fees and tax on share repurchases.

See Note 24 – Subsequent event for information on the Company's new NCIB.

Share Trusts

The Company's Share Trusts purchase CN's common shares on the open market, which are used to deliver common shares under the Share Units Plan and the Employee Share Investment Plan (ESIP) (see Note 19 – Stock-based compensation). Shares purchased by the Share Trusts are retained until the Company instructs the trustee to transfer shares to the participants of the Share Units Plan or the ESIP. Common shares purchased by the Share Trusts are accounted for as treasury stock. The Share Trusts may sell shares on the open market to facilitate the remittance of the Company's employee tax withholding obligations under the Share Units Plan.

Share purchases

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	2025	2024	2023
Share purchases by Share Units Plan Share Trusts				
Number of common shares		0.1	0.1	—
Weighted-average price per share	\$	137.28	\$ 173.49	\$ —
Amount of purchase	\$	13	\$ 20	\$ —
Share purchases by ESIP Share Trusts				
Number of common shares		0.3	0.2	0.2
Weighted-average price per share	\$	138.23	\$ 163.11	\$ 156.89
Amount of purchase	\$	43	\$ 30	\$ 28
Total purchases	\$	56	\$ 50	\$ 28

Share settlements

<i>In millions, except per share data</i>	<i>Year ended December 31,</i>	2025	2024	2023
Share settlements by Share Units Plan Share Trusts				
Number of common shares		—	0.3	0.3
Weighted-average price per share	\$	127.87	\$ 127.87	\$ 122.08
Amount of settlement	\$	5	\$ 37	\$ 31
Share settlements by ESIP Share Trusts				
Number of common shares		0.2	0.2	0.2
Weighted-average price per share	\$	150.98	\$ 157.51	\$ 151.32
Amount of settlements	\$	28	\$ 28	\$ 23
Total settlements	\$	33	\$ 65	\$ 54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 – Stock-based compensation

The Company has various stock-based compensation plans for eligible employees. A description of the major plans is provided herein.

Stock-based compensation expense

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Share Units Plan	\$	64	\$ 33	\$ 25
Voluntary Incentive Deferral Plan (VIDP)		1	1	2
Stock Option Plan		11	12	11
Employee Share Investment Plan (ESIP)		30	28	26
Total stock-based compensation expense	\$	106	\$ 74	\$ 64
Income tax impacts of stock-based compensation				
Tax benefit recognized in income	\$	27	\$ 18	\$ 15
Excess tax benefit (deficiency) recognized in income	\$	(6)	\$ 15	\$ 10

Share Units Plan

The objective of the Share Units Plan is to enhance the Company's ability to attract and retain talented employees and to provide alignment of interests between such employees and the shareholders of the Company. Under the Share Units Plan, the Company grants performance share unit (PSU) awards and restricted share unit (RSU) awards.

PSU-ROIC awards settle depending on the level of attainment of a target return on invested capital (ROIC) performance condition, as defined by the award agreement, over the plan period of three years. The level of attainment of the performance condition results in a performance vesting factor that ranges from 0% to 200%. Settlement of the 2023 PSU-ROIC award is also conditional upon the attainment of a minimum share price market condition, calculated using the average of the last three months of the plan period. PSU-ROIC awards granted in 2024 and thereafter are not subject to a minimum share price condition.

PSU-TSR awards settle depending on the level of attainment of a target total shareholder return (TSR) market condition, as defined by the award agreement, over the plan period of three years. The level of attainment of the market condition results in a performance vesting factor that ranges from 0% to 200% depending on the Company's TSR relative to a Class I Railways peer group and the S&P/TSX 60 companies for awards granted in 2023, and relative to the S&P North American LargeMidCap transportation index for awards granted in 2024 and thereafter.

RSU awards settle depending on continued employment throughout the plan period, and are not subject to market or performance conditions.

For PSU and RSU awards granted on or after January 1, 2024, dividends declared and paid on common shares accumulate in the form of additional units on a quarterly basis over the plan period.

PSUs and RSUs are settled in common shares of the Company by way of disbursement from the Share Trusts (see *Note 18 – Share capital*). The number of shares remitted to the participant upon settlement is equal to the sum of the number of PSUs awarded multiplied by the performance vesting factor and the number of RSUs awarded, less shares withheld to satisfy the participant's withholding tax requirement. This calculation also includes units granted in lieu of dividends for the Share Units Plan awards granted as of January 1, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	PSU-ROIC ⁽¹⁾		PSU-TSR ⁽²⁾		RSUs ⁽³⁾	
	Units <i>In millions</i>	Weighted- average grant date fair value	Units <i>In millions</i>	Weighted- average grant date fair value	Units <i>In millions</i>	Weighted- average grant date fair value
Outstanding at December 31, 2024	0.4	\$ 123.77	0.4	\$ 192.33	0.2	\$ 157.55
Granted ⁽⁴⁾	0.3	\$ 143.37	0.1	\$ 186.96	0.3	\$ 143.89
Settled ⁽⁵⁾	—	\$ —	(0.1)	\$ 179.03	—	\$ 132.53
Forfeited	(0.1)	\$ 133.59	—	\$ 191.49	—	\$ 146.87
Expired ⁽⁶⁾	(0.2)	\$ 89.37	(0.1)	\$ 174.04	—	\$ —
Outstanding at December 31, 2025	0.4	\$ 153.18	0.3	\$ 198.61	0.5	\$ 148.51
Nonvested at December 31, 2024	0.4	\$ 123.77	0.2	\$ 192.33	0.2	\$ 157.55
Granted ⁽⁴⁾	0.3	\$ 143.37	0.1	\$ 186.96	0.3	\$ 143.89
Vested ⁽⁷⁾	—	\$ —	—	\$ —	(0.1)	\$ 143.47
Forfeited	(0.1)	\$ 133.59	—	\$ 191.49	—	\$ 146.87
Expired ⁽⁶⁾	(0.2)	\$ 89.37	(0.1)	\$ 174.04	—	\$ —
Nonvested at December 31, 2025	0.4	\$ 153.18	0.2	\$ 198.61	0.4	\$ 149.18

- (1) The grant date fair value of equity settled PSU-ROIC awards granted in 2025 of \$36 million is valued based on the closing share price of the Company's stock on the date of the grant. As at December 31, 2025, total unrecognized compensation cost related to all outstanding awards was \$14 million and is expected to be recognized over a weighted-average period of 1.9 years.
- (2) The grant date fair value of equity settled PSU-TSR awards granted in 2025 of \$30 million is calculated using a Monte Carlo simulation model. As at December 31, 2025, total unrecognized compensation cost related to all outstanding awards was \$22 million and is expected to be recognized over a weighted-average period of 1.8 years.
- (3) The grant date fair value of equity settled RSU awards granted in 2025 of \$49 million is valued based on the closing share price of the Company's stock on the date of the grant. As at December 31, 2025, total unrecognized compensation cost related to all outstanding awards was \$27 million and is expected to be recognized over a weighted-average period of 1.5 years.
- (4) Units granted in lieu of dividends have not been quantified as they relate to a nominal amount of units.
- (5) Equity settled PSU-TSR awards granted in 2022 attained a performance vesting factor of 50%. In the first quarter of 2025, these awards were settled, net of the remittance of the participants' withholding tax obligation of \$4 million, by way of disbursement from the Share Trusts of a nominal number of common shares.
- (6) For the 2023 grant, the levels of ROIC and TSR attained resulted in performance vesting factors of 0%. As a result, no PSUs vested under this award. Equity settled PSU-ROIC awards granted in 2023 of 0.2 million units with a fair value of \$nil did not meet the vesting conditions as of December 31, 2025. Equity settled PSU-TSR awards granted in 2023 of 0.1 million units with a fair value of \$21 million did not meet the vesting conditions as of December 31, 2025.
- (7) These awards are expected to be settled in the first quarter of 2026.

Additional information

<i>Year of grant</i>	2025	2024	2023
Assumptions ⁽¹⁾			
Stock price (\$) ⁽²⁾	143.38	166.67	157.91
Expected stock price volatility (%) ⁽³⁾	18	20	26
Expected term (years) ⁽⁴⁾	3.0	3.0	3.0
Risk-free interest rate (%) ⁽⁵⁾	2.55	3.80	3.38
Dividend rate (\$) ⁽⁶⁾	3.56	3.38	3.16
Weighted-average grant date fair value (\$)			
PSU-ROIC	143.37	166.63	89.37
PSU-TSR	186.96	217.75	174.04
RSU	143.68	166.64	142.39

- (1) Represents the weighted-average assumptions used to calculate the grant date fair values of equity settled PSU-TSR awards.
- (2) Represents the closing stock price on the grant date.
- (3) Based on the historical volatility of the Company's stock over a period commensurate with the expected term of the award.
- (4) Represents the period of time that awards are expected to be outstanding.
- (5) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.
- (6) Based on the annualized dividend rate.

Voluntary Incentive Deferral Plan

The Company's VIDP provides eligible senior management employees the opportunity to elect to receive their annual incentive bonus payment in deferred share units (DSU) up to specific deferral limits. A DSU is equivalent to a common share of the Company and also earns dividends when normal cash dividends are paid on common shares. The number of DSUs received by each participant is established at the time of deferral. For each participant, the Company will grant a further 25% of the amount elected in DSUs, which will vest over a period of four years. The election to receive eligible incentive payments in DSUs is no longer available to a participant when the value of the participant's vested DSUs have reached their deferral limit, which is expressed as a multiple of their base salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DSUs are settled in common shares of the Company at the time of cessation of employment by way of an open market purchase by the Company. The number of shares remitted to the participant is equal to the number of DSUs awarded less shares withheld to satisfy the participant's withholding tax requirement.

	DSUs ⁽¹⁾	
	Units <i>In millions</i>	Weighted-average grant date fair value
Outstanding at December 31, 2024	0.3	\$ 120.55
Granted	—	\$ 147.94
Settled	—	\$ 124.64
Outstanding at December 31, 2025 ⁽²⁾	0.3	\$ 121.72

(1) The grant date fair value of equity settled DSUs granted in 2025 of \$3 million is calculated using the Company's stock price on the grant date. As at December 31, 2025, the aggregate intrinsic value of all equity settled DSUs outstanding amounted to \$39 million.

(2) The total fair value of equity settled DSU awards vested, the number of units outstanding that were nonvested, unrecognized compensation cost and the remaining recognition period, and the withholding tax obligation remitted on the settlement of DSU awards have not been quantified as they relate to a nominal number of units.

Stock Option Plan

The Company's Stock Option Plan allows for eligible employees to acquire common shares of the Company upon vesting at a price equal to the market value of the common shares at the grant date. The options issued by the Company are conventional options that vest over a period of time. Options generally vest over a period of four years of continuous employment for options granted in 2024 and thereafter. Options granted between 2020 and 2023 generally vest over a period of five years. Options are not generally exercisable during the first 12 months after the date of grant and expire after 10 years. As at December 31, 2025, 12.2 million common shares remained authorized for future issuances under these plans.

During the year ended December 31, 2025, the Company granted 0.6 million (2024 - 0.4 million; 2023 - 0.6 million) stock options.

	Options outstanding		Nonvested options	
	Number of options <i>In millions</i>	Weighted-average exercise price	Number of options <i>In millions</i>	Weighted-average grant date fair value
Outstanding at December 31, 2024 ⁽¹⁾	3.2	\$ 142.55	1.4	\$ 29.82
Granted ⁽²⁾	0.6	\$ 143.19	0.6	\$ 26.36
Forfeited/Cancelled	(0.2)	\$ 152.19	(0.2)	\$ 29.44
Exercised ⁽³⁾	(0.5)	\$ 115.01	N/A	N/A
Vested ⁽⁴⁾	N/A	N/A	(0.6)	\$ 26.96
Outstanding at December 31, 2025 ⁽¹⁾	3.1	\$ 141.35	1.2	\$ 29.40
Exercisable at December 31, 2025 ⁽¹⁾	1.8	\$ 134.32	N/A	N/A

(1) Stock options with a US dollar exercise price have been translated to Canadian dollars using the foreign exchange rate in effect at the balance sheet date.

(2) The grant date fair value of options granted in 2025 of \$15 million (\$26.36 per option) is calculated using the Black-Scholes option-pricing model. As at December 31, 2025, total unrecognized compensation cost related to all outstanding awards was \$17 million and is expected to be recognized over a weighted-average period of 2.3 years.

(3) The total intrinsic value of options exercised in 2025 was \$14 million (2024 - \$29 million; 2023 - \$33 million). The cash received upon exercise of options in 2025 was \$56 million (2024 - \$41 million; 2023 - \$49 million).

(4) The grant date fair value of options vested in 2025 was \$14 million (2024 - \$11 million; 2023 - \$10 million).

The following table provides the number of stock options outstanding and exercisable as at December 31, 2025 by range of exercise price and their related intrinsic value, and for options outstanding, the weighted-average years to expiration. The table also provides the aggregate intrinsic value for in-the-money stock options, which represents the value that would have been received by option holders had they exercised their options on December 31, 2025 at the Company's closing stock price of \$135.75.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Options outstanding				Options exercisable			
	Number of options <i>In millions</i>	Weighted-average years to expiration	Weighted-average exercise price	Aggregate intrinsic value <i>In millions</i>	Number of options <i>In millions</i>	Weighted-average exercise price	Aggregate intrinsic value <i>In millions</i>	
<i>Range of exercise prices</i>								
\$ 74.18 - \$ 120.00	0.5	2.2	\$ 103.61	\$ 16	0.5	\$ 103.61	\$ 16	
\$ 120.01 - \$ 135.00	0.5	4.5	\$ 129.73	3	0.4	\$ 129.45	3	
\$ 135.01 - \$ 150.00	0.8	7.5	\$ 140.22	—	0.3	\$ 143.13	—	
\$ 150.01 - \$ 165.00	0.8	6.7	\$ 159.12	—	0.4	\$ 158.95	—	
\$ 165.01 - \$ 178.52	0.5	7.6	\$ 169.02	—	0.2	\$ 169.30	—	
Balance at December 31, 2025 ⁽¹⁾	3.1	5.9	\$ 141.35	\$ 19	1.8	\$ 134.32	\$ 19	

(1) Stock options with a US dollar exercise price have been translated to Canadian dollars using the foreign exchange rate in effect at the balance sheet date. The weighted-average years to expiration of exercisable stock options was 4.6 years.

Additional information

Year of grant	2025	2024	2023
Assumptions			
Grant price (\$)	143.19	166.61	157.89
Expected stock price volatility (%) ⁽¹⁾	22	23	23
Expected term (years) ⁽²⁾	5.3	5.4	5.5
Risk-free interest rate (%) ⁽³⁾	2.67	3.50	2.98
Dividend rate (\$) ⁽⁴⁾	3.55	3.38	3.16
Weighted-average grant date fair value (\$)	26.36	36.53	32.96

(1) Based on the historical volatility of the Company's stock over a period commensurate with the expected term of the award.

(2) Represents the period of time that awards are expected to be outstanding. The Company uses historical data to predict option exercise behavior.

(3) Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the awards.

(4) Based on the annualized dividend rate.

Employee Share Investment Plan

The Company has an ESIP giving eligible employees the opportunity to subscribe for up to 10% of their gross salaries to purchase shares of the Company's common stock on the open market and to have the Company invest, on the employees' behalf, a further 35% of the amount invested by the employees, up to 6% of their gross salaries.

Company contributions to the ESIP, which consist of shares purchased on the open market, are subject to a one-year vesting period and are forfeited should certain participant contributions be sold or disposed of prior to vesting. Company contributions to the ESIP are held in Share Trusts until vesting, at which time shares are delivered to the employee.

	ESIP	
	Number of shares <i>In millions</i>	Weighted-average share price
Unvested contributions, December 31, 2024	0.2	\$ 163.25
Company contributions	0.3	\$ 138.50
Vested ⁽¹⁾	(0.2)	\$ 163.11
Forfeited	—	\$ 143.95
Unvested contributions, December 31, 2025 ⁽²⁾	0.3	\$ 138.17

(1) The total fair value of units purchased with Company contributions that vested in 2025 was \$30 million (2024 - \$28 million).

(2) As at December 31, 2025, total unrecognized compensation cost related to all outstanding units was \$17 million and is expected to be recognized over the next 12 months.

Additional information

Year ended December 31,	2025	2024	2023
Number of participants holding shares	22,015	21,492	21,450
Total number of ESIP shares purchased on behalf of employees (<i>millions</i>)	1.6	1.2	1.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 – Accumulated other comprehensive loss

<i>In millions</i>	Foreign currency translation adjustments	Pension and other postretirement benefit plans	Derivative instruments	Total before tax	Income tax recovery (expense) ⁽¹⁾	Total net of tax
Balance at December 31, 2022	\$ (70)	\$ (2,669)	\$ 3	\$ (2,736)	\$ 767	\$ (1,969)
Other comprehensive income (loss) before reclassifications:						
Translation of net investment ⁽²⁾	(363)			(363)	—	(363)
Translation of US dollar debt ⁽³⁾	262			262	(33)	229
Derivative instruments ⁽⁴⁾			97	97	(25)	72
Actuarial loss arising during the year		(331)		(331)	86	(245)
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of prior service credit		(3)		(3)	1	(2)
Amortization of gain on treasury lock			(1)	(1)	—	(1)
Other comprehensive income (loss)	(101)	(334)	96	(339)	29	(310)
Balance at December 31, 2023	(171)	(3,003)	99	(3,075)	796	(2,279)
Other comprehensive income (loss) before reclassifications:						
Translation of net investment ⁽²⁾	1,377			1,377	—	1,377
Translation of US dollar debt ⁽³⁾	(989)			(989)	130	(859)
Derivative instruments ⁽⁴⁾			(15)	(15)	4	(11)
Actuarial gain arising during the year		973		973	(255)	718
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of net actuarial loss		56		56	(14)	42
Amortization of prior service credit		(4)		(4)	—	(4)
Amortization of gain on treasury lock			(5)	(5)	1	(4)
Other comprehensive income (loss)	388	1,025	(20)	1,393	(134)	1,259
Balance at December 31, 2024	217	(1,978)	79	(1,682)	662	(1,020)
Other comprehensive income (loss) before reclassifications:						
Translation of net investment ⁽²⁾	(834)			(834)	—	(834)
Translation of US dollar debt ⁽³⁾	548			548	(72)	476
Derivative instruments ⁽⁴⁾			(46)	(46)	4	(42)
Actuarial gain arising during the year		376		376	(99)	277
Amounts reclassified from Accumulated other comprehensive loss:						
Amortization of net actuarial loss ⁽⁵⁾		52		52	(14)	38
Amortization of prior service credit		(4)		(4)	1	(3)
Amortization of derivative instruments ⁽⁶⁾			44	44	(3)	41
Other comprehensive income (loss)	(286)	424	(2)	136	(183)	(47)
Balance at December 31, 2025	\$ (69)	\$ (1,554)	\$ 77	\$ (1,546)	\$ 479	\$ (1,067)

(1) The Company releases stranded tax effects from Accumulated other comprehensive loss to Net income upon the liquidation or termination of the related item.

(2) Foreign exchange gain/(loss) on translation of net investment in foreign operations.

(3) Foreign exchange gain/(loss) on translation of US dollar-denominated debt designated as a hedge of the net investment in foreign operations. The Company designates US dollar-denominated debt of the parent company as a foreign currency hedge of its net investment in foreign operations. Accordingly, from the dates of designation, foreign exchange gains and losses on translation of the Company's US dollar-denominated debt are recorded in Accumulated other comprehensive loss, which minimizes the volatility of earnings resulting from the conversion of US dollar-denominated debt into Canadian dollars.

(4) The cumulative changes in fair values of cross-currency interest rate swaps and the cumulative gains or losses of treasury locks are included in Derivative instruments. See Note 22 – *Financial instruments* for additional information.

(5) Total before tax reclassified to Other components of net periodic benefit income in the Consolidated Statements of Income and included in net periodic benefit income. See Note 17 – *Pensions and other postretirement benefits* for additional information.

(6) Includes the amortization of treasury locks for the year ended December 31, 2025 of \$4 million, as well as the amortization of cross-currency interest rate swaps related to foreign currency exposure and interest expense. See Note 22 – *Financial instruments* for additional information.

21 – Major commitments and contingencies

Purchase commitments

As at December 31, 2025, the Company had fixed and variable commitments to purchase information technology services and licenses, rail, engineering services, locomotives, railroad cars, wheels, rail ties, as well as other equipment and services with a total estimated cost of \$2,121 million. Costs of variable commitments were estimated using forecasted prices and volumes.

Contingencies

In the normal course of business, the Company becomes involved in various legal actions seeking compensatory and occasionally punitive damages, including actions brought on behalf of various purported classes of claimants and claims relating to employee and third-party personal injuries, occupational disease and property damage, arising out of harm to individuals or property allegedly caused by, but not limited to, derailments or other accidents.

Personal injury and other claims provisions - Canada

Employee injuries are governed by the workers' compensation legislation in each province whereby employees may be awarded either a lump sum or a future stream of payments depending on the nature and severity of the injury. As such, the provision for employee injury claims is discounted. In the provinces where the Company is self-insured, costs related to employee work-related injuries are accounted for based on actuarially developed estimates of the ultimate cost associated with such injuries, including compensation, health care and third-party administration costs. An actuarial study is generally performed at least on a triennial basis. For all other legal actions, the Company maintains, and regularly updates on a case-by-case basis, provisions for such items when the expected loss is both probable and can be reasonably estimated based on currently available information.

In 2025, 2024 and 2023 the Company recorded an increase of \$1 million, a decrease of \$4 million and an increase of \$11 million, respectively, to its provision for personal injuries in Canada as a result of actuarial valuations for employee injury claims.

<i>In millions</i>	2025	2024	2023
Beginning of year	\$ 165	\$ 180	\$ 168
Accruals and other	71	41	44
Payments	(38)	(56)	(32)
End of year	\$ 198	\$ 165	\$ 180
Current portion - End of year	\$ 45	\$ 29	\$ 24

Personal injury and other claims provisions - United States

Personal injury claims by the Company's employees, including claims alleging occupational disease and work-related injuries, are subject to the provisions of the *Federal Employers' Liability Act* (FELA). Employees are compensated under FELA for damages assessed based on a finding of fault through the U.S. jury system or through individual settlements. As such, the provision is undiscounted. With limited exceptions where claims are evaluated on a case-by-case basis, the Company follows an actuarial-based approach and accrues the expected cost for personal injury, including asserted and unasserted occupational disease claims, and property damage claims, based on actuarial estimates of their ultimate cost. An actuarial study is performed annually.

For employee work-related injuries, including asserted non-occupational disease claims, third-party claims, including grade crossing, trespasser and property damage claims, and occupational disease claims, the actuarial valuation considers, among other factors, the Company's historical patterns of claims filings and payments. For unasserted occupational disease claims, the actuarial valuation includes the projection of the Company's experience into the future considering the potentially exposed population. The Company adjusts its liability based upon management's assessment and the results of the study. On an ongoing basis, management reviews and compares the assumptions inherent in the latest actuarial valuation with the current claim experience and, if required, adjustments to the liability are recorded.

Due to the inherent uncertainty involved in projecting future events, including events related to occupational diseases, which include but are not limited to, the timing and number of actual claims, the average cost per claim and the legislative and judicial environment, the Company's future payments may differ from current amounts recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In 2025, the Company recorded an increase of \$7 million to its provision for U.S. personal injury and other claims attributable to third-party claims, occupational disease claims and non-occupational disease claims pursuant to the 2025 actuarial valuation. In 2024 and 2023, actuarial valuations resulted in an increase of \$13 million and an increase of \$2 million, respectively. The prior years' adjustments from the actuarial valuations were mainly attributable to non-occupational disease claims, third-party claims and occupational disease claims reflecting changes in the Company's estimates of unasserted claims and costs related to asserted claims. The Company has an ongoing risk mitigation strategy focused on reducing the frequency and severity of claims through injury prevention and containment; mitigation of claims; and lower settlements of existing claims.

<i>In millions</i>	2025	2024	2023
Beginning of year	\$ 119	\$ 131	\$ 128
Accruals and other	36	43	34
Payments	(39)	(65)	(28)
Foreign exchange	(4)	10	(3)
End of year	\$ 112	\$ 119	\$ 131
Current portion - End of year	\$ 26	\$ 18	\$ 27

Although the Company considers such provisions to be adequate for all its outstanding and pending claims, the final outcome with respect to actions outstanding or pending at December 31, 2025, or with respect to future claims, cannot be reasonably determined. When establishing provisions for contingent liabilities the Company considers, where a probable loss estimate cannot be made with reasonable certainty, a range of potential probable losses for each such matter, and records the amount it considers the most reasonable estimate within the range. However, when no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued. For matters where a loss is reasonably possible but not probable, a range of potential losses cannot be estimated due to various factors which may include the limited availability of facts, the lack of demand for specific damages and the fact that proceedings were at an early stage. Based on information currently available, the Company believes that the eventual outcome of the actions against the Company will not, individually or in the aggregate, have a material adverse effect on the Company's financial position. However, due to the inherent inability to predict with certainty unforeseeable future developments, there can be no assurance that the ultimate resolution of these actions will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

Environmental matters

The Company's operations are subject to numerous federal, provincial, state, municipal and local environmental laws and regulations in Canada and the U.S. concerning, among other things, emissions into the air; discharges into waters; the generation, handling, storage, transportation, treatment and disposal of waste, hazardous substances, and other materials; decommissioning of underground and above ground storage tanks; and soil and groundwater contamination. A risk of environmental liability is inherent in railroad and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations.

Known existing environmental concerns

The Company is or may be liable for remediation costs at individual sites, in some cases along with other potentially responsible parties, associated with actual or alleged contamination. The ultimate cost of addressing these known contaminated sites cannot be definitively established given that the estimated environmental liability for any given site may vary depending on the nature and extent of the contamination; the nature of anticipated response actions, taking into account the available clean-up techniques; evolving regulatory standards governing environmental liability; and the number of potentially responsible parties and their financial viability. As a result, liabilities are recorded based on the results of a four-phase assessment conducted on a site-by-site basis. A liability is initially recorded when environmental assessments occur, remedial efforts are probable, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated. The Company estimates the costs related to a particular site using cost scenarios established by external consultants based on the extent of contamination and expected costs for remedial efforts. In the case of multiple parties, the Company accrues its allocable share of liability taking into account the Company's alleged responsibility, the number of potentially responsible parties and their ability to pay their respective share of the liability. Adjustments to initial estimates are recorded as additional information becomes available.

The Company's provision for specific environmental sites is undiscounted and includes costs for remediation and restoration of sites, as well as monitoring costs. Environmental expenses, which are classified as Other expense in the Consolidated Statements of Income, include amounts for newly identified sites or contaminants as well as adjustments to initial estimates. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the Company through one of its subsidiaries was notified by the U.S. Environmental Protection Agency (EPA) on February 28, 2024 that the EPA considers it a potentially responsible party (PRP), along with at least five other previously notified parties, with respect to the Matthiessen & Hegeler Zinc Company Site (Site) in LaSalle, Illinois. The EPA also requested that the Company respond to certain information requests, which the Company did on June 30, 2024. The Company's designation as a PRP is based on claims that the Company, or its predecessors, had land holdings historically that were leased to others for commercial or industrial uses that may allegedly have resulted in the disposal of hazardous substances onto the Site. Based on remedial investigations and feasibility studies previously conducted, the EPA issued a Record of Decision outlining the clean-up plan for the Site and certain off-Site areas. In the second quarter of 2025, CN received a special notice letter from the EPA which requested CN to respond with a good faith offer by August 4, 2025. The Company responded to the EPA on August 4, 2025 reiterating why it should not be considered a PRP for the Site and as at February 4, 2026, there have been no further developments. The Company has not accrued for any obligation related to the remediation of the Site as it has not been able to confirm to what, if any, extent it contributed to the contamination, the extent and cost of remediation and the contribution of other potentially responsible parties and their ability to pay for their obligations.

For matters where a loss is reasonably possible but not probable, a range of potential losses cannot be estimated due to various factors which may include the limited availability of facts, the lack of demand for specific damages and the fact that proceedings were at an early stage.

Environmental provisions

<i>In millions</i>	2025	2024	2023
Beginning of year	\$ 56	\$ 58	\$ 59
Accruals and other	38	15	17
Payments	(29)	(19)	(19)
Foreign exchange	(1)	2	1
End of year	\$ 64	\$ 56	\$ 58
Current portion - End of year	\$ 38	\$ 40	\$ 39

The Company anticipates that the majority of the liability at December 31, 2025 will be paid out over the next five years. Based on the information currently available, the Company considers its provisions to be adequate.

Unknown existing environmental concerns

While the Company believes that it has identified the costs likely to be incurred for environmental matters based on known information, the discovery of new facts, future changes in laws, the possibility of releases of hazardous materials into the environment and the Company's ongoing efforts to identify potential environmental liabilities that may be associated with its properties may result in the identification of additional environmental liabilities and related costs. The magnitude of such additional liabilities and the costs of complying with future environmental laws and containing or remediating contamination cannot be reasonably estimated due to many factors, including:

- the lack of specific technical information available with respect to many sites;
- the absence of any government authority, third-party orders, or claims with respect to particular sites;
- the potential for new or changed laws and regulations and for development of new remediation technologies and uncertainty regarding the timing of the work with respect to particular sites; and
- the determination of the Company's liability in proportion to other potentially responsible parties and the ability to recover costs from any third parties with respect to particular sites.

Therefore, the likelihood of any such costs being incurred or whether such costs would be material to the Company cannot be determined at this time. There can thus be no assurance that liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Company's financial position or results of operations in a particular quarter or fiscal year, or that the Company's liquidity will not be adversely impacted by such liabilities or costs, although management believes, based on current information, that the costs to address environmental matters will not have a material adverse effect on the Company's financial position or liquidity. Costs related to any unknown existing or future contamination will be accrued in the period in which they become probable and reasonably estimable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Future occurrences

In railroad and related transportation operations, it is possible that derailments or other accidents, including spills and releases of hazardous materials, may occur that could cause harm to human health or to the environment. As a result, the Company may incur costs in the future, which may be material, to address any such harm, compliance with laws and other risks, including costs relating to the performance of clean-ups, payment of environmental penalties and remediation obligations, and damages relating to harm to individuals or property.

Regulatory compliance

The Company may incur significant capital and operating costs associated with environmental regulatory compliance and clean-up requirements, in its railroad operations and relating to its past and present ownership, operation or control of real property. Operating expenses related to regulatory compliance activities for environmental matters for the year ended December 31, 2025 amounted to \$48 million (2024 - \$47 million; 2023 - \$32 million). In addition, based on the results of its operations and maintenance programs, as well as ongoing environmental audits and other factors, the Company plans for specific capital improvements on an annual basis. Certain of these improvements help ensure facilities, such as fueling stations, waste water and storm water treatment systems, comply with environmental standards and include new construction and the updating of existing systems and/or processes. Other capital expenditures relate to assessing and remediating certain impaired properties. The Company's environmental capital expenditures for the year ended December 31, 2025 amounted to \$25 million (2024 - \$27 million; 2023 - \$13 million).

Guarantees and indemnifications

In the normal course of business, the Company enters into agreements that may involve providing guarantees or indemnifications to third parties and others, which may extend beyond the term of the agreements. These include, but are not limited to, standby letters of credit, surety and other bonds, and indemnifications that are customary for the type of transaction or for the railway business.

As at December 31, 2025, the Company had outstanding letters of credit of \$321 million (2024 - \$329 million) under the committed bilateral letter of credit facilities and \$153 million (2024 - \$142 million) under the uncommitted bilateral letter of credit facilities, and surety and other bonds of \$147 million (2024 - \$145 million), all issued by financial institutions with investment grade credit ratings to third parties to indemnify them in the event the Company does not perform its contractual obligations.

As at December 31, 2025, the maximum potential liability under these guarantee instruments was \$621 million (2024 - \$616 million), of which \$580 million (2024 - \$571 million) related to other employee benefit liabilities and workers' compensation and \$41 million (2024 - \$45 million) related to other liabilities. The guarantee instruments expire at various dates between 2026 and 2027.

As at December 31, 2025, the Company had not recorded a liability with respect to guarantees as the Company did not expect to make any payments under its guarantees.

General indemnifications

In the normal course of business, the Company provides indemnifications, customary for the type of transaction or for the railway business, in various agreements with third parties, including indemnification provisions where the Company would be required to indemnify third parties and others. During the year, the Company entered into various contracts with third parties for which an indemnification was provided. Due to the nature of the indemnification clauses, the maximum exposure for future payments cannot be reasonably determined. To the extent of any actual claims under these agreements, the Company maintains provisions for such items, which it considers to be adequate. As at December 31, 2025, the Company had not recorded a liability with respect to any indemnifications.

22 – Financial instruments

Risk management

In the normal course of business, the Company is exposed to various risks from its use of financial instruments. To manage these risks, the Company follows a financial risk management framework, which is monitored and approved by the Company's Audit, Finance and Risk Committee, with a goal of maintaining a strong balance sheet, optimizing earnings per share and free cash flow, financing its operations at an optimal cost of capital and preserving its liquidity. The Company has limited involvement with derivative financial instruments in the management of its risks and does not hold or issue them for trading or speculative purposes.

Foreign currency risk

Foreign exchange forward contracts

The Company conducts its business in both Canada and the U.S. and as a result, is affected by currency fluctuations. Changes in the exchange rate between the Canadian dollar and the US dollar affect the Company's revenues and expenses. To manage foreign currency risk, the Company designates US dollar-denominated debt of the parent company as a foreign currency hedge of its net investment in foreign operations. As a result, from the dates of designation, foreign exchange gains and losses on translation of the Company's US dollar-denominated debt are recorded in Accumulated other comprehensive loss, which minimizes volatility of earnings resulting from the conversion of US dollar-denominated debt into the Canadian dollar.

The Company also enters into foreign exchange forward contracts to manage its exposure to foreign currency risk. As at December 31, 2025, the Company had outstanding foreign exchange forward contracts to purchase a notional value of US\$477 million (2024 - US\$580 million). These outstanding contracts are at a weighted-average exchange rate of \$1.39 per US\$1.00 (2024 - \$1.37 per US\$1.00). The weighted-average term of the contracts is 110 days (2024 - 88 days). Changes in the fair value of foreign exchange forward contracts, resulting from changes in foreign exchange rates, are recognized in Other income in the Consolidated Statements of Income as they occur. For the year ended December 31, 2025, the Company recorded a loss of \$37 million (2024 - gain of \$226 million; 2023 - loss of \$45 million) related to foreign exchange forward contracts. These gains and losses were largely offset by the re-measurement of US dollar-denominated monetary assets and liabilities recognized in Other income. As at December 31, 2025, the fair value of outstanding foreign exchange forward contracts included in Other current assets and Accounts payable and other was \$nil and \$10 million, respectively (2024 - \$38 million and \$nil, respectively).

Cross-currency interest rate swaps

As at December 31, 2025, the aggregate notional amount of cross-currency interest rate swaps entered into was US\$975 million to hedge the US-to-Canadian dollar currency fluctuations on US dollar-denominated notes maturing on March 1, 2026 and July 15, 2028, for an aggregate principal amount of \$1,401 million with a weighted average fixed annual interest rate of 3.33%.

These cross-currency interest rate swaps were designated as qualifying hedging instruments and were accounted for as cash flow hedges, with their critical terms corresponding to the related US dollar-denominated notes.

As at December 31, 2025, the cumulative changes in fair values of these cross-currency interest rate swaps recorded in Accumulated other comprehensive loss in derivative instruments resulted in a loss of \$45 million. As at December 31, 2025, the amounts amortized from Accumulated other comprehensive loss to Other income related to foreign currency exposure was a loss of \$62 million and to Interest expense was a gain of \$14 million in the same period that the carrying values of the two US dollar-denominated notes were remeasured to Canadian dollars and the interest expense was recognized.

As at December 31, 2025, the fair value of outstanding cross-currency interest rate swaps included in Other current asset was \$7 million, Accounts payable and other was \$29 million and Other liabilities and deferred credits was \$30 million.

The cash flows related to these cross-currency interest rate swaps that pertain to the periodic interest settlements are classified as operating activities and the cash flows that pertain to the principal balance will be classified as financing activities.

Interest rate risk

The Company is exposed to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will vary as a result of changes in market interest rates. Such risk exists in relation to the Company's debt. The Company mainly issues fixed-rate debt, which exposes the Company to variability in the fair value of the debt. The Company also issues debt with variable interest rates, which exposes the Company to variability in interest expense. To manage interest rate risk, the Company manages its borrowings in line with liquidity needs, maturity schedule, and currency and interest rate profile. In anticipation of future debt issuances, the Company may use derivative instruments such as forward rate agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Treasury Locks

During 2025 and 2024, the Company entered into treasury lock agreements to hedge US Treasury benchmark rates related to expected debt issuances in 2025 and 2024, respectively. The treasury locks were designated as cash flow hedging instruments with cumulative gains or losses recorded in Accumulated other comprehensive loss in derivative instruments. Upon settlement, cash proceeds or outflows were included in operating activities in the Consolidated Statements of Cash Flows, and the gain or loss was recorded in Accumulated other comprehensive loss which is amortized over the term of the corresponding debt and recognized as an adjustment to interest expense on the Consolidated Statements of Income. In conjunction with the November 6, 2025 debt issuance, the Company settled total treasury locks with a notional amount of US\$600 million (\$847 million), resulting in a cumulative loss of \$1 million. In conjunction with the September 18, 2024 debt issuance, the Company settled treasury locks with a notional amount of US\$500 million (\$680 million), resulting in a cumulative loss of \$15 million. As at December 31, 2025 and 2024, there were no treasury locks outstanding.

Interest rate swaps

As at December 31, 2025, the Company had outstanding swaps with a notional amount of \$1.0 billion designated as qualifying hedging instruments and accounted for as fair value hedges on a cumulative \$1.0 billion of notes maturing on June 10, 2030 and June 10, 2035. The swaps were designed to hedge the interest rate risk associated with market fluctuations attributable to the CORRA. The fair value gain or loss on the swaps as well as any offsetting loss or gain on the hedged notes attributable to the hedged risk are recorded in Interest expense.

As at December 31, 2025, the cumulative change in fair value of these swaps recorded in Other current assets and Other liabilities and deferred credits resulted in a gain and loss of \$5 million and \$16 million, respectively. As at December 31, 2025, the hedging adjustment included in the carrying amount of the hedged notes within Long-term debt was a gain of \$11 million.

Periodic net interest accruals for these swaps are recorded in Interest expense which was \$1 million for the year ended December 31, 2025, and their related settlements will be included as part of cash flows from operating activities.

Fair value of financial instruments

The financial instruments that the Company measures at fair value on a recurring basis in periods subsequent to initial recognition are categorized into the following levels of the fair value hierarchy based on the degree to which inputs are observable:

- Level 1: Inputs are quoted prices for identical instruments in active markets
- Level 2: Significant inputs (other than quoted prices included in Level 1) are observable
- Level 3: Significant inputs are unobservable

The carrying amounts of Cash and cash equivalents and Restricted cash and cash equivalents approximate fair value. These financial instruments include highly liquid investments purchased three months or less from maturity, for which the fair value is determined by reference to quoted prices in active markets.

The carrying amounts of Accounts receivable, Other current assets and Accounts payable and other approximate fair value due to their short maturity, unless otherwise specified. The fair value of equity investments with readily determinable fair values, included in Intangible assets, goodwill and other, is classified as Level 1 with gains and losses being recorded in Other income within the Consolidated Statements of Income. The fair value of derivative financial instruments, included in Other current assets, Intangible assets, goodwill and other and Accounts payable and other is classified as Level 2 and is used to manage the Company's exposure to foreign currency and interest rate risk. The fair value is measured by discounting future cash flows, estimated based on future interest rates and foreign exchange rates, as applicable, derived from market data and using a discount rate derived from market data for financial instruments subject to similar risks and maturities.

The carrying amount of the Company's debt does not approximate fair value. The fair value is estimated based on quoted market prices for the same or similar debt instruments, as well as discounted cash flows using current interest rates for debt with similar terms, company rating, and remaining maturity. The Company classifies debt as Level 2. As at December 31, 2025, the Company's debt, excluding finance leases, had a carrying amount of \$21,201 million (2024 - \$20,887 million) and a fair value of \$20,246 million (2024 - \$19,688 million). The carrying amount of debt excluding finance leases exceeded the fair value due to an increase in market rates compared to the stated coupon rate.

23 – Segmented information

The Company manages its operations as one business segment over a single network that spans vast geographic distances and territories, with operations in Canada and the U.S. and the company determined that there is one reportable segment. Financial information reported at this level is used by the Company's chief operating decision-maker (CODM) identified as the Company's President and Chief Executive Officer, in evaluating financial and operational performance.

The Company's strategic initiatives, which drive its operational direction, are developed and managed centrally by management and are communicated to its regional activity centers (the Western Region, Eastern Region and U.S. Region). The Company's management is responsible for, among others, CN's marketing strategy, the management of large customer accounts, overall planning and control of infrastructure and rolling stock, the allocation of resources, and other functions such as financial planning, accounting and treasury.

The role of each region is to manage the day-to-day service requirements within their respective territories and control direct costs incurred locally. Such cost control is required to ensure that pre-established efficiency standards set at the corporate level are met. The regions execute the overall corporate strategy and operating plan established by the Company's management, as the regions' management of throughput and control of direct costs does not serve as the platform for the Company's decision-making process. Approximately 86% of the Company's freight revenues are from national accounts for which freight traffic spans North America and touches various commodity groups. As a result, the Company does not manage revenues on a regional basis since a large number of the movements originate in one region and pass through and/or terminate in another region.

The regions also demonstrate common characteristics in each of the following areas:

- each region's sole business activity is the transportation of freight over the Company's extensive rail network;
- the regions service national accounts that extend over the Company's various commodity groups and across its rail network;
- the services offered by the Company stem predominantly from the transportation of freight by rail with the goal of optimizing the rail network as a whole; and
- the Company and its subsidiaries, not its regions, are subject to regulatory regimes in both Canada and the U.S.

For the years ended December 31, 2025, 2024, and 2023, no major customer accounted for more than 10% of total revenues and the largest freight customer represented less than 3% of total annual freight revenues.

Net income and diluted earnings per share (EPS), which are reported on the Company's Consolidated Statements of Income, are the profit measures reviewed by the CODM. These measures are used by the CODM to assess segment profitability, allocate resources across CN's network, benchmark performance against targets and industry standards, analyze trends for strategic planning and forecasting and communicating results to stakeholders.

Significant segment expenses regularly provided to the CODM and included within net income and EPS are the expense captions detailed in the Consolidated Statements of Income. The measure of segment assets is reported on the Consolidated Balance Sheets as Total assets. Segment property additions is reported on the Consolidated Statements of Cash Flows as Property additions.

Geographic information

<i>In millions</i>	<i>Year ended December 31,</i>	2025	2024	2023
Revenues				
Canada	\$	12,104	\$ 11,875	\$ 11,570
U.S.		5,200	5,171	5,258
Total revenues	\$	17,304	\$ 17,046	\$ 16,828

<i>In millions</i>	<i>As at December 31,</i>	2025	2024
Long-lived assets			
Canada	\$	28,133	\$ 26,635
U.S.		21,455	21,810
Total long-lived assets ⁽¹⁾	\$	49,588	\$ 48,445

(1) The Company defines long-lived assets as Properties and Operating lease right-of-use assets.

24 – Subsequent event

Normal course issuer bid

On January 30, 2026, the Company announced that its Board of Directors had approved a new NCIB, which allows for the repurchase of up to 24.0 million common shares between February 4, 2026 and February 3, 2027.