REPORT TO SHAREHOLDERS SECOND QUARTER 2014

National Bank reports its results for the Second Quarter of 2014 and raises its quarterly dividend by 4% to 48 cents per share

The financial information reported herein is based on the unaudited interim condensed consolidated financial statements for the second quarter and first six months ended April 30, 2014 and prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. All amounts are presented in Canadian dollars.

MONTREAL, May 27, 2014 – For the second quarter of fiscal 2014, National Bank is reporting $362 million in net income versus $417 million in the second quarter of 2013 and diluted earnings per share of $1.01 compared to $1.20 in the second quarter of 2013, particularly due to a $102 million rise in the fair value of restructured notes that had been recorded in the second quarter of 2013.

Excluding the specified items described on page 4, second-quarter net income totalled $375 million, up 7% from $352 million in the second quarter of 2013, and second-quarter diluted earnings per share stood at $1.05, up 5% from $1.00 in the same quarter of 2013.

For the first six months of fiscal 2014, the Bank's net income totalled $767 million versus $790 million in the same period of 2013. First-half diluted earnings per share stood at $2.16 compared to $2.25 in the same period of 2013. Excluding the specified items described on page 4, first-half net income totalled $759 million, up 9% from $696 million in the same period of 2013, and first-half diluted earnings per share stood at $2.14, up 9% from $1.97 in the same period of 2013.

"National Bank delivered another good quarter with strong performance from the Wealth Management and P&C Banking segments," said Louis Vachon, President and Chief Executive Officer. "With the quality of our results and our continuous efforts with the *One client, one bank* initiative, we are pleased to increase the quarterly dividend by 4%."

Highlights:

– $362 million in net income for the second quarter of 2014 versus $417 million in the same quarter last year, particularly due to a $102 million rise in the fair value of restructured notes in 2013;
– Diluted earnings per share of $1.01 for the second quarter of 2014 compared to $1.20 in the same quarter of 2013;
– Return on equity of 17.4%;
– The Common Equity Tier 1 (CET1) capital ratio under Basel III was 8.7% as at April 30, 2014, remaining stable versus 8.7% as at October 31, 2013.

Highlights Excluding Specified Items(1):

– $375 million in net income for the second quarter of 2014, up 7% from $352 million in the same quarter of 2013;
– Diluted earnings per share of $1.05 for the second quarter of 2014, up 5% from $1.00 in the same quarter of 2013;
– Return on equity of 18.1%.

Financial Indicators

	Results Q2 2014	Results excluding specified items (1)	Results First half 2014	Results excluding specified items (1)
Growth in diluted earnings per share	(16) %	5 %	(4) %	9 %
Return on common shareholders' equity	17.4 %	18.1 %	18.6 %	18.4 %
Dividend payout ratio	42 %	43 %	42 %	43 %
CET1 capital ratio under Basel III	8.7 %		8.7 %	

(1) See the Financial Reporting Method section on page 4.

Personal and Commercial

- Net income totalled $162 million in the second quarter of 2014, up 6% from $153 million in the second quarter of 2013.
- At $649 million, second-quarter total revenues rose $19 million or 3% year over year.
- Rising 7% from a year ago, personal lending experienced sustained growth, with the strongest increases coming from consumer loans and mortgage lending, in addition to 5% growth in commercial lending from a year ago.
- The net interest margin was 2.24% in the second quarter of 2014 versus 2.25% the preceding quarter and 2.31% in the second quarter of 2013.
- Before provisions for credit losses and income taxes, the segment's contribution rose $12 million or 5%.
- At 57.9%, the efficiency ratio improved from 58.6% in the second quarter of 2013.

Wealth Management

- Net income totalled $68 million in the second quarter of 2014, a 39% increase from $49 million in the same quarter of 2013.
- Excluding specified items(1), net income totalled $77 million, up $22 million or 40%.
- Second-quarter total revenues amounted to $330 million versus $288 million in the same quarter of 2013, a $42 million or 15% increase that was driven particularly by growth across all revenue streams and by the TD Waterhouse acquisition.
- Second-quarter non-interest expenses stood at $237 million, up 7% year over year.
- Excluding specified items(1), the efficiency ratio was 68.4%, an improvement from 73.8% in the second quarter of 2013.

Financial Markets

- Net income totalled $128 million in the second quarter of 2014, down 9% from $141 million in the same quarter of 2013.
- At $337 million, second-quarter revenues decreased $26 million or 7% year over year, mainly because trading activity revenues were down, in particular the revenues generated by fixed-income trading activities and commodities and foreign exchange trading activities.
- At $162 million, the second-quarter non-interest expenses decreased $7 million year over year, particularly because variable compensation was lower given the revenue decline.
- The efficiency ratio was 48.1% in the second quarter of 2014 versus 46.6% in the second quarter of last year.

Other

- Net income totalled $4 million for the second quarter of 2014 versus $74 million in the same quarter of 2013, a decrease that stems mainly from the following amounts, net of income taxes, that had been recorded in the second quarter of 2013: a $102 million rise in the fair value of the restructured notes partly offset by $29 million in intangible asset impairment losses.

Capital Management

- As at April 30, 2014, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 8.7%, remaining stable versus 8.7% as at October 31, 2013, as internally generated capital was offset by the Wealth Management acquisition and the coming into force of the credit valuation adjustment.

(1) See the Financial Reporting Method section on page 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 27, 2014

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in National Instrument 51-102, *Continuous Disclosure Obligations*, released by the Canadian Securities Administrators (CSA). It is based on the unaudited interim condensed consolidated financial statements for the second quarter and first six months ended April 30, 2014 and prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. The figures for the year ended October 31, 2013 have been adjusted to reflect changes in accounting standards and the impact of the stock dividend of one common share on each issued and outstanding common share declared on December 3, 2013 and paid on February 13, 2014. The effect of this dividend was the same as a two-for-one split of common shares. A financial information supplement issued on January 31, 2014, entitled *"Supplementary Financial Information – Adjusted to Reflect Changes in Accounting Standards and the Common Stock Split"* is available at nbc.ca. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the second quarter and first six months ended April 30, 2014 and with the 2013 Annual Report. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends" and the "Outlook for National Bank" sections of the 2013 Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2014 and the objectives it has set for itself for that period. These forward-looking statements are made in accordance with current securities legislation. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2014 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputation risk, and environmental risk, which are described in more detail in the "Risk Management" section beginning on page 60 of the 2013 Annual Report, and in particular the general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including the regulatory changes affecting the Bank's business, capital and liquidity; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the new reporting regime set out in sections 1471 to 1474 of the *U.S. Internal Revenue Code of 1986* (FATCA)); and changes to capital adequacy and liquidity guidelines and to the manner in which they are to be presented and interpreted.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the "Risk Management" and "Other Risk Factors" sections of the 2013 Annual Report. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Bank also cautions readers not to place undue reliance on these forward-looking statements.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

FINANCIAL REPORTING METHOD

(millions of Canadian dollars, except per share amounts)

When assessing its results, the Bank uses certain measures that do not comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. Securities regulators require companies to caution readers that net income and other measures adjusted using non-IFRS criteria are not standard under IFRS and cannot be easily compared with similar measures used by other companies.

Financial Information

	Quarter ended April 30			Six months ended April 30		
	2014	2013 (1)	% Change	**2014**	2013 (1)	% Change
Excluding specified items						
Personal and Commercial	**162**	153	6	**330**	316	4
Wealth Management	**77**	55	40	**153**	108	42
Financial Markets	**128**	141	(9)	**272**	254	7
Other	**8**	3		**4**	18	
Net income excluding specified items	**375**	352	7	**759**	696	9
Items related to holding restructured notes(2)	**(3)**	100		**27**	109	
Acquisition-related items(3)	**(10)**	(6)		**(19)**	(12)	
Impairment losses on intangible assets(4)	**–**	(29)		**–**	(29)	
Item related to employee benefits(5)	**–**	–		**–**	26	
Net income	**362**	417	(13)	**767**	790	(3)
Diluted earnings per share excluding specified items(6)	**$ 1.05**	$ 1.00	5	**$ 2.14**	$ 1.97	9
Items related to holding restructured notes(2)	**(0.01)**	0.31		**0.08**	0.34	
Acquisition-related items(3)	**(0.03)**	(0.02)		**(0.06)**	(0.05)	
Impairment losses on intangible assets(4)	**–**	(0.09)		**–**	(0.09)	
Item related to employee benefits(5)	**–**	–		**–**	0.08	
Diluted earnings per share(6)	**$ 1.01**	$ 1.20	(16)	**$ 2.16**	$ 2.25	(4)
Return on common shareholders' equity						
Including specified items	**17.4 %**	23.4 %		**18.6 %**	22.1 %	
Excluding specified items	**18.1 %**	19.6 %		**18.4 %**	19.3 %	

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.

(2) During the quarter ended April 30, 2014, the Bank recorded $4 million in financing costs ($3 million net of income taxes) related to holding restructured notes (2013: $2 million, $2 million net of income taxes). In addition, during the quarter ended April 30, 2013, the Bank had recorded $139 million in revenues ($102 million net of income taxes) to reflect a rise in the fair value of those notes. During the six months ended April 30, 2014, the Bank recorded $9 million in financing costs ($6 million net of income taxes) related to holding restructured notes (2013: $2 million, $2 million net of income taxes) and $45 million in revenues ($33 million net of income taxes) to reflect a rise in the fair value of those notes (2013: $151 million, $111 million net of income taxes).

(3) During the quarter ended April 30, 2014, the Bank recorded $13 million in charges ($10 million net of income taxes) related to the Wealth Management acquisitions (2013: $9 million, $6 million net of income taxes) and consisting mostly of retention bonuses and TD Waterhouse integration charges; they also include the Bank's share in the integration costs incurred by Fiera and its share in the integration costs and intangible asset amortization related to the Bank's interest in TMX. For the six months ended April 30, 2014, the charges amounted to $24 million ($19 million net of income taxes) compared to $17 million ($12 million net of income taxes) for the same period of 2013.

(4) During the quarter ended April 30, 2013, the Bank had recorded $39 million ($29 million net of income taxes) in intangible asset impairment losses on internal technology developments.

(5) During the quarter ended January 31, 2013, the Bank had recorded a $35 million decrease in past service costs ($26 million net of income taxes) to reflect changes to the provisions of its pension plans and other post-retirement plans subsequent to changes in accounting standards.

(6) Reflecting the stock dividend paid on February 13, 2014. See Note 13 to the unaudited interim condensed consolidated financial statements.

HIGHLIGHTS

(millions of Canadian dollars)

	Quarter ended April 30			Six months ended April 30		
	2014	2013 [1]	% Change	2014	2013 [1]	% Change
Operating results						
Total revenues	**$ 1,276**	$ 1,383	(8)	**$ 2,640**	$ 2,615	1
Net income	**362**	417	(13)	**767**	790	(3)
Net income attributable to the Bank's shareholders	**345**	402	(14)	**734**	758	(3)
Return on common shareholders' equity	**17.4 %**	23.4 %		**18.6 %**	22.1 %	
Earnings per share[2] *(dollars)*						
Basic	**$ 1.02**	$ 1.21	(16)	**$ 2.19**	$ 2.27	(4)
Diluted	**1.01**	1.20	(16)	**2.16**	2.25	(4)
EXCLUDING SPECIFIED ITEMS[3]						
Operating results						
Total revenues	**$ 1,283**	$ 1,248	3	**$ 2,609**	$ 2,470	6
Net income	**375**	352	7	**759**	696	9
Net income attributable to the Bank's shareholders	**358**	337	6	**726**	664	9
Return on common shareholders' equity	**18.1 %**	19.6 %		**18.4 %**	19.3 %	
Earnings per share[2] *(dollars)*						
Basic	**$ 1.06**	$ 1.01	5	**$ 2.16**	$ 1.99	9
Diluted	**1.05**	1.00	5	**2.14**	1.97	9
Per common share[2] *(dollars)*						
Dividends declared	**$ 0.46**	$ 0.41		**$ 0.92**	$ 0.82	
Book value				**24.43**	21.57	
Stock trading range						
High	**45.73**	39.76		**46.86**	40.02	
Low	**41.60**	36.18		**41.60**	36.18	
Close	**45.49**	38.08		**45.49**	38.08	

	As at April 30, 2014	As at October 31, 2013 [1]	% Change
Financial position			
Total assets	**$ 194,289**	$ 188,219	3
Loans and acceptances	**101,555**	97,338	4
Deposits	**110,794**	102,111	9
Equity attributable to common shareholders	**8,005**	7,487	7
Capital ratios under Basel III[4]			
Common Equity Tier 1 (CET1)	**8.7 %**	8.7 %	
Tier 1	**11.6 %**	11.4 %	
Total	**14.6 %**	15.0 %	
Impaired loans, net of total allowances	**(175)**	(183)	
As a % of average loans and acceptances	**(0.2) %**	(0.2) %	
Assets under administration and under management	**327,125**	258,010	27
Total personal savings	**168,329**	157,515	7
Interest coverage	**13.03**	11.18	
Asset coverage	**4.79**	3.76	
Other information			
Number of employees	**19,831**	19,691	1
Number of branches in Canada	**451**	453	–
Number of banking machines	**935**	937	–

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(2) Reflecting the stock dividend paid on February 13, 2014. See Note 13 to the unaudited interim condensed consolidated financial statements.
(3) See the Financial Reporting Method section on page 4.
(4) The ratios have been calculated using the "all-in" methodology, and the October 31, 2013 ratios have not been adjusted to reflect changes in accounting standards.

FINANCIAL ANALYSIS

Consolidated Results

Financial Results

For the second quarter of fiscal 2014, National Bank reported $362 million in net income versus $417 million in the second quarter of 2013 and diluted earnings per share of $1.01 compared to $1.20 in the second quarter of 2013, year-over-year decreases that were mainly due to a rise in the fair value of restructured notes that had been recorded in the second quarter of 2013.

Excluding specified items, second-quarter net income totalled $375 million, up 7% from $352 million in the second quarter of 2013, and second-quarter diluted earnings per share stood at $1.05, up 5% from $1.00 in the same quarter of 2013. For the second quarter of 2014, the specified items included, net of income taxes, $3 million in financing costs related to holding restructured notes, $8 million in items related to the Wealth Management acquisitions, the Bank's $1 million share in the integration costs incurred by Fiera, and $1 million in costs related to the Bank's interest in TMX. In the second quarter of 2013, net income had included the following specified items, net of income taxes: $102 million in revenues to reflect a rise in the fair value of restructured notes, $2 million in financing costs related to holding these notes, $4 million in charges related to the Wealth Management acquisitions, the Bank's $1 million share in the integration costs incurred by Fiera, $1 million in costs related to the Bank's interest in TMX, and $29 million in intangible asset impairment losses related to technology developments.

For the first six months of fiscal 2014, the Bank's net income totalled $767 million versus $790 million in the same period of 2013. First-half diluted earnings per share stood at $2.16 compared to $2.25 in the same period of 2013. Excluding specified items, first-half net income totalled $759 million, up 9% from $696 million in the same period of 2013, and first-half diluted earnings per share stood at $2.14, up 9% from $1.97 in the same period of 2013. The specified items recognized for the first six months of 2014 included, net of income taxes, $33 million in revenues to reflect a rise in the fair value of restructured notes, $6 million in financing costs related to holding these notes, and $19 million in charges related to the Wealth Management acquisitions. In the first six months of 2013, net income had included the following specified items, net of income taxes: $111 million in revenues to reflect a rise in the fair value of restructured notes, $2 million in financing costs related to holding these notes, $12 million in charges related to the Wealth Management acquisitions, $29 million in intangible asset impairment losses, and a $26 million decrease in the past service costs recorded by the Bank to reflect changes to provisions in its pension plans and other post-retirement plans subsequent to changes in accounting standards.

Return on common shareholders' equity was 18.6% in the first six months of 2014 compared to 22.1% in the same period of 2013.

Total Revenues

For the second quarter of 2014, the Bank's total revenues amounted to $1,276 million, down $107 million from the same quarter in 2013, particularly due to a $139 million rise in the value of restructured notes that had been recognized in the second quarter of 2013. Excluding the items related to holding restructured notes, total revenues rose 3%. Growth in net interest income was driven by higher personal and commercial loans and deposits and by the net interest income generated in Wealth Management. Furthermore, greater activity in the Wealth Management segment combined with the acquisition of TD Waterhouse Institutional Services (TD Waterhouse), completed during the quarter ended January 31, 2014, also contributed to the increase in total revenues, in particular with respect to underwriting and advisory fees, mutual fund revenues and trust service revenues. The decline in trading revenues stems from the rise in the fair value of restructured notes that had been recorded in the second quarter of 2013.

For the first six months of 2014, total revenues amounted to $2,640 million versus $2,615 million in the same six-month period of 2013, a 1% increase driven mainly by 4% growth in net interest income. Excluding specified items, non-interest income rose $85 million, mainly given the revenue increase driven by the Wealth Management segment's activities and the revenues generated upon a disposal of investments. This increase was tempered by decreases in credits fees, insurance revenues, and gains on available-for-sale securities.

Provisions for Credit Losses

For the second quarter of 2014, the Bank recorded $51 million in provisions for credit losses, $2 million less than in the same quarter of 2013, mainly because of lower provisions for credit losses on commercial loans, partly offset by a slight increase in provisions for credit losses on personal loans.

For the first six months of fiscal 2014, the Bank recorded $102 million in provisions for credit losses, $17 million more than in the same six-month period of 2013, as recoveries of corporate loan losses had been recorded during the first quarter of 2013 and also because of higher provisions for credit losses on personal loans.

As at April 30, 2014, gross impaired loans stood at $417 million, a $22 million increase since October 31, 2013 that stems from personal loans and commercial loans. Impaired loans represented 6.6% of the tangible capital adjusted for allowances as at April 30, 2014 compared to 6.5% as at October 31, 2013. As at April 30, 2014, the allowances for credit losses exceeded gross impaired loans by $175 million compared to $183 million as at October 31, 2013.

Non-Interest Expenses

For the second quarter of 2014, non-interest expenses stood at $799 million, down $35 million or 4% from the same quarter of 2013. Excluding specified items, including the intangible asset impairment losses and items related to the Wealth Management acquisitions, non-interest expenses remained steady at $789 million. A higher compensation and employee benefits expense, driven by greater activity in the Personal and Commercial and Wealth Management segments, was offset by lower variable compensation in the Financial Markets segment.

For the first six months of 2014, non-interest expenses rose $44 million or 3% year over year. Excluding the specified items recorded in the first six months of 2014 and 2013, non-interest expenses were up $42 million or 3%, mainly attributable to business growth that led to higher variable compensation, the TD Waterhouse acquisition completed during the first quarter of 2014, investments in technology and the promotion of banking services.

Income Taxes

For the second quarter of 2014, income taxes stood at $64 million compared to $79 million in the same quarter of 2013. The second-quarter effective income tax rate was 15% versus 16% in the same quarter of 2013.

For the first six months of 2014 and 2013, the effective income tax rates were 17% and 18%, respectively.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2014	2013 [(1)]	% Change	2014	2013 [(1)]	% Change
Operating results						
Net interest income	**411**	394	4	**830**	798	4
Non-interest income	**238**	236	1	**477**	471	1
Total revenues	**649**	630	3	**1,307**	1,269	3
Non-interest expenses	**376**	369	2	**754**	741	2
Contribution	**273**	261	5	**553**	528	5
Provisions for credit losses	**51**	52	(2)	**101**	96	5
Income before income taxes	**222**	209	6	**452**	432	5
Income taxes	**60**	56	7	**122**	116	5
Net income	**162**	153	6	**330**	316	4
Net interest margin	**2.24 %**	2.31 %		**2.25 %**	2.31 %	
Average interest-bearing assets	**75,149**	70,025	7	**74,478**	69,498	7
Average assets	**80,750**	76,111	6	**80,114**	75,398	6
Average deposits	**42,570**	39,386	8	**42,465**	39,348	8
Average loans and acceptances	**80,311**	75,793	6	**79,734**	75,045	6
Net impaired loans	**189**	138	37	**189**	138	37
Net impaired loans as a % of average loans and acceptances	**0.2 %**	0.2 %		**0.2 %**	0.2 %	
Efficiency ratio	**57.9 %**	58.6 %		**57.7 %**	58.4 %	

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.

In the Personal and Commercial segment, net income totalled $162 million in the second quarter of 2014, up 6% from $153 million in the second quarter of 2013. Second-quarter total revenues increased by $19 million year over year owing to higher net interest income, which rose $17 million, and to a $2 million increase in non-interest income. The higher net interest income came mainly from growth in personal and commercial loan and deposit volumes, tempered by a narrowing of the net interest margin, which was 2.24% in the second quarter of 2014 versus 2.31% in the same quarter of 2013, resulting mainly from smaller deposit margins.

Personal Banking's total revenues rose $15 million, mainly due to higher loan volume, particularly mortgage loans and home equity lines of credit, partly offset by a narrowing of net interest margins on deposits. Commercial Banking's total revenues rose $4 million owing mainly to growth in loan and deposit volumes. This increase was partly offset by lower credit fees, in particular on bankers' acceptances, and by a slowdown in foreign exchange transactions.

The segment's second-quarter non-interest expenses increased by $7 million or 2% year over year, mainly due to employee compensation. At 57.9%, the efficiency ratio for the second quarter of 2014 improved by 0.7% when compared to the same quarter of 2013.

The segment recorded $51 million in provisions for credit losses, essentially the same compared to the second quarter of 2013, as lower credit loss provisions on commercial loans were offset by slightly higher provisions on personal loans.

For the first six months of 2014, the Personal and Commercial segment posted net income of $330 million, up $14 million or 4% from $316 million in the same six-month period of 2013. The segment's first-half total revenues grew 3%, as Personal Banking's revenues were up primarily due to higher mortgage loan volume and Commercial Banking's revenues were up 1% partly due to growth in loan and deposit volumes. The segment's first-half contribution rose $25 million or 5% and its first-half provisions for credit losses were $5 million higher than in the same period last year. At 57.7%, the first-half efficiency ratio improved by 0.7% when compared to the same period of 2013.

Wealth Management

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2014	2013 (1)	% Change	**2014**	2013 (1)	% Change
Operating results excluding specified items(2)						
Net interest income	**79**	66	20	**156**	134	16
Fee-based revenues	**160**	138	16	**315**	271	16
Transaction-based and other revenues	**93**	86	8	**186**	163	14
Total revenues	**332**	290	14	**657**	568	16
Non-interest expenses	**227**	214	6	**449**	419	7
Contribution	**105**	76	38	**208**	149	40
Provisions for credit losses	**–**	–		**1**	1	–
Income before income taxes	**105**	76	38	**207**	148	40
Income taxes	**28**	21	33	**54**	40	35
Net income excluding specified items	**77**	55	40	**153**	108	42
Specified items after taxes(2)	**(9)**	(6)		**(17)**	(11)	
Net income	**68**	49	39	**136**	97	40
Average assets	**10,529**	9,054	16	**10,555**	9,045	17
Average deposits	**24,270**	21,721	12	**24,353**	21,081	16
Average loans and acceptances	**8,243**	7,835	5	**8,178**	7,819	5
Net impaired loans	**2**	2	–	**2**	2	–
Net impaired loans as a % of average loans and acceptances	**– %**	– %		**– %**	– %	
Efficiency ratio excluding specified items(2)	**68.4 %**	73.8 %		**68.3 %**	73.8 %	

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(2) See the Financial Reporting Method section on page 4.

In the Wealth Management segment, net income excluding specified items totalled $77 million in the second quarter of 2014 versus $55 million in the same quarter of 2013, a strong 40% increase that came mainly from the favourable synergies generated by the segment's recent transactions and from growth in assets under administration and under management. Excluding specified items, the segment's total revenues rose 14% owing to growth across all revenue streams as well as to the TD Waterhouse acquisition completed in the first quarter of 2014.

Excluding specified items, all relating to the acquisitions of recent years, second-quarter non-interest expenses stood at $227 million compared to $214 million in the same quarter of 2013, a 6% increase that came mainly from the higher variable compensation associated with growth in the segment's business activity as well as from the TD Waterhouse acquisition.

Excluding specified items, Wealth Management's net income for the first six months of 2014 totalled $153 million, up $45 million or 42% from the same period in 2013. The segment's first-half total revenues amounted to $657 million compared to $568 million in the same period last year, and first-half non-interest expenses stood at $449 million versus $419 million in the same period last year. These revenue and non-interest expense changes were driven by the same factors provided for the second quarter.

Financial Markets

(taxable equivalent basis)[1]
(millions of Canadian dollars)

	Quarter ended April 30			Six months ended April 30		
	2014	2013 [2]	% Change	2014	2013 [2]	% Change
Operating results						
Trading activity revenues						
Equities	75	73	3	163	123	33
Fixed-income	54	67	(19)	104	126	(17)
Commodities and foreign exchange	13	24	(46)	38	42	(10)
	142	164	(13)	305	291	5
Financial market fees	66	69	(4)	127	129	(2)
Gains on available-for-sale securities, net	2	1		13	5	
Banking services	61	64	(5)	119	118	1
Other	66	65	2	138	123	12
Total revenues	337	363	(7)	702	666	5
Non-interest expenses	162	169	(4)	330	330	–
Contribution	175	194	(10)	372	336	11
Provisions for (recoveries of) credit losses	–	1		–	(12)	
Income before income taxes	175	193	(9)	372	348	7
Income taxes	47	52	(10)	100	94	6
Net income	128	141	(9)	272	254	7
Non-controlling interests	3	2	50	5	5	–
Net income attributable to the Bank's shareholders	125	139	(10)	267	249	7
Average assets	82,054	86,953	(6)	83,839	84,753	(1)
Average deposits	10,490	6,251	68	10,075	5,851	72
Average loans and acceptances (Corporate only)	8,189	7,042	16	7,915	6,872	15
Net impaired loans	–	6		–	6	
Net impaired loans as a % of average loans and acceptances	– %	0.1 %		– %	0.1 %	
Efficiency ratio	48.1 %	46.6 %		47.0 %	49.5 %	

(1) For additional information, see Note 22 to the unaudited interim condensed consolidated financial statements.
(2) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.

In the Financial Markets segment, net income totalled $128 million for the second quarter of 2014, down $13 million from $141 million in the same quarter of 2013. On a taxable equivalent basis, the segment's second-quarter total revenues amounted to $337 million, a decrease from $363 million in the second quarter of 2013 as the contribution from trading activity revenues was down due to lower results in the fixed-income securities and commodities and foreign exchange categories. Financial market fees and revenues from banking services were down slightly when compared to the same quarter of 2013.

At $162 million for the second quarter of 2014, non-interest expenses were down $7 million year over year, particularly because of the lower variable compensation associated with lower revenues. Provisions for credit losses were nil this second quarter, whereas $1 million in provisions for credit losses had been recorded in the same quarter of 2013.

For the first six months of fiscal 2014, the segment's net income totalled $272 million, up $18 million or 7% from the same period in 2013. On a taxable equivalent basis, first-half total revenues amounted to $702 million versus $666 million in the same period last year, a $36 million year-over-year increase that was mainly due to growth in trading activity revenues, in particular client business in equities. The increase in Other revenues stems mainly from a disposal of investments.

For the first six months of 2014, the segment's non-interest expenses were unchanged year over year. The segment did not record any provisions for credit losses for the first six months of 2014, whereas $12 million in recoveries of credit losses had been recorded for the first six months of 2013.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended April 30		Six months ended April 30	
	2014	2013 [2]	**2014**	2013 [2]
Operating results excluding specified items[3]				
Net interest income	**(68)**	(76)	**(118)**	(117)
Non-interest income	**33**	41	**61**	84
Total revenues	**(35)**	(35)	**(57)**	(33)
Non-interest expenses	**24**	36	**63**	64
Income before income taxes	**(59)**	(71)	**(120)**	(97)
Income taxes	**(67)**	(74)	**(124)**	(115)
Net income excluding specified items	**8**	3	**4**	18
Specified items after income taxes[3]	**(4)**	71	**25**	105
Net income	**4**	74	**29**	123
Non-controlling interests	**14**	13	**28**	27
Net income attributable to the Bank's shareholders	**(10)**	61	**1**	96
Average assets	**28,768**	21,801	**29,421**	21,100

(1) For additional information, see Note 22 to the unaudited interim condensed consolidated financial statements.
(2) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(3) See the Financial Reporting Method section on page 4.

For the *Other* heading of segment results, net income totalled $4 million for the second quarter of 2014 compared to $74 million in the same quarter of 2013. Excluding specified items, the segment's second-quarter net income totalled $8 million compared to $3 million in the second quarter of 2013. The increase in net income was due, in particular, to lower variable compensation costs partly offset by a lower contribution from Treasury.

For the first six months of 2014, net income totalled $29 million versus $123 million in the same six-month period of 2013. Excluding specified items, the first-half net income totalled $4 million, down from $18 million in the first half of 2013 due to a lower contribution from Treasury.

Consolidated Balance Sheet

Assets

As at April 30, 2014, the Bank had total assets of $194.3 billion compared to $188.2 billion as at October 31, 2013, a $6.1 billion or 3% increase. Cash and deposits with financial institutions increased by $2.0 billion. Securities increased by $0.9 billion since October 31, 2013 due to securities at fair value through profit or loss, whereas securities purchased under reverse repurchase agreements and securities borrowed decreased by $2.3 billion since October 31, 2013.

Master Asset Vehicles (MAV)

As at April 30, 2014, the face value of the restructured notes of the MAV conduits and of the other restructured notes held by the Bank was $1,709 million ($1,727 million as at October 31, 2013), of which $1,356 million was designated as *Securities at fair value through profit or loss* under the fair value option, and an amount of $353 million was classified in *Available-for-sale securities* ($1,506 million designated as *Securities at fair value through profit or loss* and $221 million classified in *Available-for-sale securities* as at October 31, 2013). The change in the face value of the restructured notes of the MAV conduits during the first six months of fiscal 2014 was mainly due to capital repayments and disposals. During the quarter ended April 30, 2014, the Bank participated in an optional redemption unwind process for restructured notes of the MAV II conduits and disposed of certain notes, classified in *Securities at fair value through profit or loss*, for a face value of $137 million. In return, the Bank received liquidation trust units and classified these units in *Available-for-sale securities.*

The carrying value of the restructured notes of the MAV conduits and of the other restructured notes held by the Bank in an investment portfolio as at April 30, 2014, designated as *Securities at fair value through profit or loss*, was $1,214 million, and $199 million was classified in *Available-for-sale securities* ($1,293 million designated as *Securities at fair value through profit or loss* and $68 million classified in *Available-for-sale securities* as at October 31, 2013). The notes held in an investment portfolio with one or more embedded derivatives were designated as *Securities at fair value through profit and loss* under the fair value option, and the other notes were classified in *Available-for-sale securities*.

In establishing the fair value of the restructured notes of the MAV conduits and ineligible assets, the Bank applied the same methodologies used as at October 31, 2013 and adjusted its assumption on the liquidity of the MAV I notes to reflect market conditions. For additional information, see Note 6 to the audited annual consolidated financial statements for the year ended October 31, 2013. During the quarter ended April 30, 2014, a negligible amount of revenue was recognized in *Trading revenues* in the Consolidated Statement of Income to reflect a rise in the fair value of the restructured notes ($139 million for the quarter ended April 30, 2013). For the six months ended April 30, 2014, the rise in the fair value of the restructured notes amounted to $45 million ($151 million for the six-month period ended April 30, 2013). The carrying value of the restructured notes, designated as *Securities at fair value through profit or loss*, was within estimated fair value ranges as at April 30, 2014. The credit ratings of the restructured notes of the MAV conduits have not changed from October 31, 2013.

The Bank has committed to contribute $844 million ($886 million as at October 31, 2013) to a margin funding facility related to the MAV conduits in order to finance potential collateral calls. As at April 30, 2014 and as at October 31, 2013, no amount had been advanced by the Bank.

Loans and Acceptances

As at April 30, 2014, loans and acceptances increased since October 31, 2013 due to growth across all lending activities. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	**As at April 30, 2014**	As at October 31, 2013	As at April 30, 2013
Loans and acceptances			
Consumer loans	**27,120**	26,064	25,245
Residential mortgages	**37,664**	36,573	34,798
Credit card receivables	**1,946**	1,925	1,897
Business and government	**35,417**	33,354	32,836
	102,147	97,916	94,776

As at April 30, 2014, loans and acceptances totalled $102.1 billion, a $4.2 billion or 4% increase since October 31, 2013. Consumer loans were up 4%, due primarily to home equity lines of credit and personal loans. Rising 3%, residential mortgages were also up as at April 30, 2014. Loans and acceptances to business and government increased by 6% since October 31, 2013, mainly due to corporate and government financing activities and to loans to companies in the energy sector. Compared to a year ago, loans and acceptances increased $7.3 billion or 8%, and consumer loans and residential mortgage loans rose, respectively, by 7% and 8%. Loans and acceptances to business and government also contributed to the growth, rising 8% from a year ago, mainly because of acceptance and corporate loan financing.

Liabilities

As at April 30, 2014, the Bank had total liabilities of $184.9 billion compared to $179.3 billion as at October 31, 2013.

As at April 30, 2014, the Bank's deposit liability stood at $110.8 billion, rising $8.7 billion or 9% from $102.1 billion as at October 31, 2013. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	**As at April 30, 2014**	As at October 31, 2013	As at April 30, 2013
Balance sheet			
Deposits	**45,614**	42,652	42,154
Off-balance-sheet			
Full-service brokerage	**100,909**	94,550	90,765
Mutual funds	**17,965**	16,633	16,237
Other	**3,841**	3,680	3,637
	122,715	114,863	110,639
Total	**168,329**	157,515	152,793

At $45.6 billion as at April 30, 2014, personal deposits were up $2.9 billion since October 31, 2013 owing essentially to Bank initiatives undertaken to grow this type of deposit. Since the beginning of the fiscal year, personal savings included in assets under administration and under management grew 7% due to acquisition-driven business growth. Personal deposits were up $3.4 billion from a year ago, while personal savings included in assets under administration and under management were up $12.1 billion.

Since October 31, 2013, business and government deposits grew $2.7 billion or 5%, largely due to covered bond issuances totalling 2.0 billion euros. At $5.4 billion, deposits from deposit-taking institutions rose $3.0 billion since October 31, 2013, mainly attributable to U.S. government financial institutions. Other financing activities decreased since October 31, 2013, essentially due to a $3.9 billion decrease in obligations related to securities sold short partly offset by a $1.3 billion increase in obligations related to securities sold under repurchase agreements and securities loaned and by an issuance of preferred shares presented as liabilities for a net amount of $341 million.

Equity
As at April 30, 2014, the Bank's equity was $9.4 billion compared to $9.0 billion as at October 31, 2013, an increase that stems mainly from higher retained earnings.

As at May 23, 2014, there were 327,472,920 common shares and 16,018,136 stock options outstanding.

Acquisition

TD Waterhouse Institutional Services
On November 12, 2013, through a subsidiary, the Bank completed the acquisition of Toronto-Dominion Bank's institutional services known as TD Waterhouse Institutional Services. This acquisition marks another step in the Bank's expansion of its wealth management platform across Canada. At $260 million, the purchase price is subject to a price adjustment mechanism based on the assets retained over a one-year period. The net assets acquired include client list intangible assets totalling approximately $58 million. The purchase price exceeded the fair value of the net assets acquired by $206 million. This excess amount was recorded on the Consolidated Balance Sheet as goodwill and mainly represents synergies and the benefits expected from combining the acquired operations with those of the Bank. The tax deductible portion of the goodwill is $155 million. The acquired receivables, consisting mainly of loans to clients for the purchase of securities, had an acquisition-date fair value of $448 million. This amount also represents the gross contractual amounts receivable, which the Bank expects to fully recover.

An amount of $1 million in acquisition-related costs was included in *Non-interest expenses* in the Consolidated Statement of Income for the six months ended April 30, 2014. These consolidated financial statements include the results of the acquired business as of November 12, 2013. During the quarter ended April 30, 2014, the acquired business contributed approximately $14 million to the Bank's total revenues and $6 million to its net income (excluding integration costs). For the six months ended April 30, 2014, the contributions to total revenues and net income amounted to $27 million and $12 million, respectively. If the Bank had completed the acquisition on November 1, 2013, total revenues would have been approximately $2,642 million and net income approximately $768 million for the six months ended April 30, 2014.

Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to various financial arrangements that, under IFRS, are not required to be recorded on the Consolidated Balance Sheet or are recorded at amounts other than their notional or contractual values. These arrangements include, among others, transactions with structured entities, derivative financial instruments, issuances of guarantees, the margin funding facility of the MAV conduits, credit instruments, and financial assets received as collateral. A complete analysis of these types of arrangements, including their nature, business purpose and importance, is provided on pages 45 and 46 of the 2013 Annual Report. For additional information on guarantees and a description of obligations under certain indemnification agreements, see Note 25 to the audited annual consolidated financial statements for the year ended October 31, 2013.

During the quarter ended January 31, 2014, a new structured entity, NBC Covered Bond Guarantor (Legislative) Limited Partnership, was created. The Bank consolidates this entity since it has control. For additional information about structured entities and financial assets transferred but not derecognized, see Notes 21 and 7, respectively, to the unaudited interim condensed consolidated financial statements.

ACCOUNTING POLICIES AND FINANCIAL DISCLOSURE

Accounting Policies and Critical Accounting Estimates

The Bank's consolidated financial statements have been prepared in accordance with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. None of the OSFI accounting requirements are exceptions to IFRS.

These consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and the accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2013, except for the accounting policy changes described below. Also described below are future accounting policy changes.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment and make estimates and assumptions that affect the reporting date carrying amounts of assets and liabilities, net income and related information. Some of these accounting policies are considered critical given their importance to the presentation of the Bank's financial position and operating results and require difficult, subjective and complex judgments and estimates because they relate to matters that are inherently uncertain. Any change in these judgments and estimates could have a significant impact on the Bank's consolidated financial statements. The critical accounting estimates remain substantially unchanged from those described on pages 48 to 51 of the 2013 Annual Report, except for the changes described below in the Accounting Policy Changes section. Additional information on fair value determination is provided in Notes 3, 4 and 5 to the consolidated financial statements, and additional information on the consolidation of structured entities is provided in Note 21 to the consolidated financial statements.

Accounting Policy Changes

Effective Date – November 1, 2013
As required by the IASB, on November 1, 2013, the Bank adopted the following new or amended accounting standards:

IAS 19 – *Employee Benefits*
In June 2011, the IASB issued an amended version of IAS 19, introducing significant changes to the accounting of employee benefits, primarily for defined benefit pension plans. The main changes to the revised standard are as follows:

- The expected return on plan assets is no longer used in calculating the pension plan expense. The discount rate used to measure the accrued benefit obligation must also be used to measure the return on plan assets.
- Past service costs are recognized when a plan is amended, with no deferral over the vesting period.
- Additional annual disclosure is to be provided regarding the characteristics of defined benefit plans and the risks to which entities are exposed by participating in those plans.
- The revised standard requires that all actuarial gains and losses be immediately recognized in *Other comprehensive income*. The recognition of actuarial gains and losses can no longer be deferred. This last amendment has no impact on the Bank since it already recognizes actuarial gains and losses in *Other comprehensive income*.

The requirements of the amended version of IAS 19 have been applied retrospectively. The impacts of adopting the amendments on the Consolidated Balance Sheet as at October 31, 2013 are presented below. There is no impact on the Consolidated Balance Sheet as at November 1, 2012.

(millions of Canadian dollars)	As at October 31, 2013
Consolidated Balance Sheet	
Increase in *Other assets*	15
Decrease in *Other liabilities*	6
Increase in *Retained earnings*	21

Retrospective adoption of the changes had the following impacts on the Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income for the second quarter and first six months ended April 30, 2013.

(millions of Canadian dollars)	Quarter ended April 30, 2013	Six months ended April 30, 2013
Consolidated Statements of Income and Comprehensive Income		
Increase in *Compensation and employee benefits*	(19)	(3) (1)
Decrease in *Income taxes*	5	1
Decrease in *Net income*	(14)	(2)
Increase in *Other comprehensive income – Actuarial gains and losses on employee benefit plans*	13	25
Increase (decrease) in *Comprehensive income*	(1)	23
Decrease in earnings per share *(dollars)*		
Basic	(0.04)	(0.01)
Diluted	(0.04)	(0.01)

(1) This amount includes a $35 million decrease in past service costs, less a $3 million reduction recorded under the previous IAS 19, resulting from changes that had been made to provisions in the Bank's pension plans and other post-retirement plans in the first quarter of 2013.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 – *Consolidated and Separate Financial Statements* and in interpretation SIC-12 – *Consolidation – Special Purpose Entities*, by establishing a single consolidation model based on control for all interests held in all types of entities (investees). According to IFRS 10, control is based on the concepts of decision-making authority regarding the investee's relevant activities, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect the amount of returns. An entity must consolidate the entities it controls and present consolidated financial statements.

The Bank retrospectively adopted IFRS 10, the impact of which is the deconsolidation of NBC Capital Trust (the Trust). Under IFRS 10, the Bank does not control the Trust because the Bank's interest does not expose it to variable returns. The Bank's earnings per share has not been affected. The impacts of the deconsolidation are as follows:

- A $225 million increase in *Deposits* on the Consolidated Balance Sheet as at October 31, 2013 and as at November 1, 2012, representing the Trust's deposit note;
- A $229 million decrease in *Non-controlling interests* on the Consolidated Balance Sheet as at October 31, 2013 and as at November 1, 2012, representing the trust units issued by the Trust;
- A $4 million increase in *Other liabilities* on the Consolidated Balance Sheet as at October 31, 2013 and as at November 1, 2012, representing accrued interest payable on the deposit note;
- Decreases in *Net income* and equivalent decreases in *Non-controlling interests* of $3 million and $6 million on the Consolidated Statement of Income for the second quarter and six-month period ended April 30, 2013, respectively.

IFRS 7 – *Financial Instruments: Disclosures*

The amendments to IFRS 7 require disclosure about legally enforceable rights of set-off for financial instruments under master netting agreements or similar arrangements. The Bank retrospectively adopted these amendments, which had no impact on its results or financial position since the standard only affects disclosures. The required IFRS 7 disclosure amendments will be presented in the audited annual consolidated financial statements as at October 31, 2014.

IFRS 11 – *Joint Arrangements*
IFRS 11 – *Joint Arrangements* replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Under IFRS 11, a joint arrangement is an arrangement in which two or more parties have joint control. Joint control means the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under IFRS 11, a joint arrangement must be classified as either a joint operation or a joint venture, depending on an assessment of the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement wherein joint operators have rights to the assets and obligations for the liabilities. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS standards applicable to the particular assets, liabilities, revenues and expenses. A joint venture is a joint arrangement wherein the joint venturers have rights to the net assets of the arrangement. A joint venturer accounts for its interest in a joint venture using the equity method.

The Bank retrospectively adopted IFRS 11 and concluded that the joint arrangements in which it has rights constitute joint ventures. Since these investments were already accounted for using the equity method under IAS 31, there was no impact on the Bank's consolidated financial statements.

IFRS 12 – *Disclosure of Interests in Other Entities*
IFRS 12 applies to entities that hold interests in subsidiaries, joint arrangements, associates and non-consolidated structured entities. It requires additional disclosure that enables financial statement users to assess the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The Bank retrospectively adopted IFRS 12, and the required disclosures will be presented in the audited annual consolidated financial statements as at October 31, 2014. However, certain disclosures related to structured entities are presented in these consolidated financial statements.

IFRS 13 – *Fair Value Measurement*
IFRS 13 defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. Prospective adoption of this standard did not have a significant impact on the Bank's consolidated financial statements. The required quarterly disclosures are presented in these consolidated financial statements; the additional, annual disclosures required will be presented in the audited annual consolidated financial statements as at October 31, 2014.

Effective Date – November 1, 2014
IAS 32 – *Financial Instruments: Presentation*
IAS 32 was amended to clarify the requirements for offsetting financial assets and financial liabilities in order to reduce inconsistencies in current practice. The Bank is currently assessing the impact these amendments will have on the consolidated financial statements.

IFRIC Interpretation 21 – *Levies*
IFRIC Interpretation 21 (IFRIC 21) provides guidance on when to recognize a liability to pay a levy imposed by a government that is accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is to be applied retrospectively and the Bank is currently assessing the impact of adopting this interpretation.

Effective Date – Not yet specified
IFRS 9 – *Financial Instruments*
The purpose of IFRS 9 is to replace the current standard on financial instruments and constitutes a three-phase project: (1) Classification and measurement of financial assets and financial liabilities; (2) Impairment; and (3) Hedge accounting. In July 2013, the IASB decided to temporarily defer the mandatory effective date of IFRS 9 and to not specify that date until the requirements for financial instrument classification and measurement and financial asset impairment are finalized. The Bank is monitoring the progress of the IASB's work.

Financial Disclosure

During the second quarter of 2014, no changes were made to the policies, procedures and other processes that comprise the Bank's internal control over financial reporting that had or could reasonably have a significant impact on the Bank's internal control over financial reporting.

ADDITIONAL FINANCIAL DISCLOSURE

The Financial Stability Board (FSB) develops financial stability standards and seeks to promote cooperation in the oversight and monitoring of financial institutions. OSFI has asked Canadian banks to apply certain recommendations issued by the FSB. The recommendations seek to enhance transparency and measurement with respect to certain exposures, in particular structured entities, subprime and Alt-A exposures, collateralized debt obligations, residential and commercial mortgage-backed securities, and leveraged financing structures.

The Bank does not market any specific mortgage financing program to subprime or Alt-A clients. Subprime loans are generally defined as loans granted to borrowers with a higher credit risk profile than prime borrowers, and the Bank does not grant this type of loan. Alt-A loans are granted to borrowers who cannot provide standard proof of income. The Bank's Alt-A loan volume was $642 million as at April 30, 2014 ($661 million as at October 31, 2013).

The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the Canadian Mortgage and Housing Corporation (CMHC). Credit derivative positions are shown in the table below.

Leveraged financing structures are defined by the Bank as loans granted to large corporate and financial sponsor-backed companies that are typically non-investment grade with much higher levels of debt relative to other companies in the same industry. Leveraged finance is commonly employed to achieve a specific objective, for example, to make an acquisition, complete a buy-out or repurchase shares. Leveraged finance risk exposure takes the form of both funded and unfunded commitments. As at April 30, 2014, total commitments for this type of loan stood at $1,160 million ($865 million as at October 31, 2013). Details about other exposures are provided in the table on structured entities in Note 21 to these unaudited interim condensed consolidated financial statements.

Credit Derivative Positions (notional amounts)

(millions of Canadian dollars)	**As at April 30, 2014**				As at October 31, 2013			
	Credit portfolio		**Trading**		Credit portfolio		Trading	
	Protection purchased	**Protection sold**	**Protection purchased**	**Protection sold**	Protection purchased	Protection sold	Protection purchased	Protection sold
Credit default swaps								
Indices, single names and other	**44**	**–**	**469**	**195**	42	–	1,071	235
Tranches on indices	**–**	**–**	**–**	**1**	–	–	–	1
Total return swaps	**–**	**–**	**10**	**7**	–	–	–	9

The FSB created the Enhanced Disclosure Task Force (EDTF), a working group that, on October 29, 2012, published a report entitled *Enhancing the Risk Disclosures of Banks*, which contains 32 recommendations. As at October 31, 2013, the Bank has made every effort to ensure overall compliance with those recommendations and is continuing to enhance its risk disclosures to meet the best practices on an ongoing basis. The risk disclosures required by the EDTF are provided in the 2013 Annual Report, in this Report to Shareholders, and in the document entitled *Supplementary Financial Information for the Second Quarter Ended April 30, 2014*, which is available on the Bank's website at nbc.ca. In addition, on the following page is a table of contents that users can use to locate information relative to the 32 recommendations.

Risk Disclosures

The following table lists the references where users can find information that responds to the EDTF's 32 recommendations.

		Pages		
		2013 Annual Report	Report to Shareholders (1)	Supplementary Financial Information (1)
General				
1	Location of risk disclosures	10	18	
	Management's Discussion and Analysis	18, 53 to 85, 90 and 93	19 to 35	
	Consolidated Financial Statements	Notes 1, 5, 7, 15 and 22	Note 6	
	Supplementary Financial Information			18 to 50
2	Risk terminology and risk measures	60 to 84		
3	Top and emerging risks	60		
4	New key regulatory ratios	76 and 80	19 and 28	
Risk governance and risk management				
5	Risk management organization, processes and key functions	61 to 64		
6	Risk management culture	61		
7	Key risks by business segment, risk management and risk appetite	18, 61 and 62		
8	Stress testing	53, 62, 67 and 74 to 78		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	55	19	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			27 to 29
11	Movements in regulatory capital	56	20	
12	Capital planning	53 to 59		
13	RWA by business segment and by risk type	18 and 58	21	
14	Capital requirements by risk and RWA calculation method	58 and 65 to 67	21	
15	Banking book credit risk		21	38 to 45
16	Movements in RWA by risk type	59	22	
17	Assessment of credit risk model performance	64, 67 and 73		21 to 23 and 38 to 45
Liquidity				
18	Liquidity management and components of the liquidity buffer	77 to 79	29	
Funding				
19	Summary of encumbered and unencumbered assets	79	30	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	140 to 143	32 to 35	
21	Funding strategy and funding sources	80 to 82	31	
Market risk				
22	Linkage of market risk measures to balance sheet	72	24 and 25	
23	Market risk factors	71, 75, 135, 137 and 179	26 and 27	
24	VaR: assumptions, limitations and validation procedures	73, 74 and 135		
25	Stress tests, stressed VaR and backtesting	73 to 75, 135 and 137		
Credit risk				
26	Credit risk exposures	132, 133 and 149 to 152	23 and 55 to 57	18 to 26, 32 and 38 to 49
27	Policies for identifying impaired loans	69 and 108		
28	Movements in impaired loans and allowances for credit losses	90, 93 and 149 to 151	55 to 57	26
29	Counterparty credit risk relating to derivatives transactions	69, 70 and 161 to 163	24	50
30	Credit risk mitigation	68 to 70		46 and 47
Other risks				
31	Other risks: governance, measurement and management	64 and 82 to 85		
32	Publicly known risk events	No risk event	No risk event	

(1) For the second quarter and six-month period ended April 30, 2014.

CAPITAL MANAGEMENT

The Bank's capital management policy sets out the principles and practices that the Bank incorporates into its capital management strategy and the basic criteria it adopts to ensure that it has sufficient capital at all times and is prudently managing such capital to satisfy any future capital requirements. The Bank has maintained adequate capital ratios through internal capital generation, balance sheet management and issuances and repurchases of shares and subordinated debt securities. For additional information on the capital management framework, see the Capital Management section on pages 53 to 59 of the Bank's 2013 Annual Report.

In December 2012, OSFI released the final version of the *Capital Adequacy Requirements (CAR) Guideline*, which took effect in January 2013. The guideline reflects the changes to capital requirements adopted by the Basel Committee on Banking Supervision (BCBS), which are commonly referred to as Basel III. These changes, along with global liquidity standards, seek to strengthen the resiliency of the banking sector and financial system. In addition to those measures, OSFI now requires that regulatory capital instruments other than common shares have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that rescuing a non-viable financial institution is in the public interest.

The new Basel III regulatory framework sets out transitional arrangements for the period of 2013 to 2019. OSFI has introduced two methodologies for determining capital. The "all-in" methodology includes all of the regulatory adjustments that will be required by 2019 while retaining the phase-out rules for non-qualifying capital instruments. The "transitional" methodology, in addition to applying the phase-out rules for non-qualifying capital instruments, also applies a more flexible and steady phasing in of the required regulatory adjustments. The Bank will disclose its capital ratios calculated according to both methodologies in each quarter until the start of 2019. Nevertheless, OSFI has been requiring Canadian banks to meet the 2019 minimum "all-in" requirements since the first quarter of 2013 for Common Equity Tier 1 (CET1) and since the first quarter of 2014 for Tier 1 capital and total capital. Furthermore, to ensure an implementation similar to that of other countries, OSFI has decided to phase in the credit valuation adjustment (CVA) charge over a period of five years beginning in 2014. In the first year, only 57%, 65% and 77% of total CVA will be applied to the calculation of the CET1, Tier 1 and total capital ratios, respectively, and these percentages will gradually increase each year until they reach 100% by 2019.

As such, the Bank must now maintain a CET1 capital ratio, Tier 1 capital ratio and total capital ratio of at least 7.0%, 8.5% and 10.5%, respectively, all of which include the 2.5% capital conservation buffer. In March 2013, OSFI designated Canada's six largest banks, a group that includes National Bank, as Domestic Systemically Important Banks (D-SIBs). For these banks, a 1% surcharge will apply to their capital ratios as of January 1, 2016. Consequently, as of that date, the Bank and all other major Canadian banks will have to maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5% and a total capital ratio of at least 11.5%, all determined using the "all-in" methodology.

In addition to regulatory capital ratios, OSFI also requires Canadian banks to meet a financial leverage test. Leverage or the assets-to-capital multiple (ACM) is calculated by dividing the Bank's total assets, including certain off-balance-sheet items, by its total regulatory capital in accordance with the transitional requirements for Basel III. In January 2014, after the BCBS updated the Basel III rules for the leverage ratio, OSFI announced that the new Basel III leverage ratio would replace the ACM as of January 1, 2015. The new leverage ratio is calculated by dividing Tier 1 capital by total on- and off-balance-sheet assets. Items deducted from Tier 1 capital will also be excluded from the calculation of the leverage ratio.

New disclosure requirements pursuant to Pillar 3 of the Basel II framework came into force in the third quarter of 2013. Canadian financial institutions must use a disclosure template for their "all-in" regulatory capital and must present a reconciliation of all regulatory capital items back to the balance sheet. These two requirements are presented in the *Supplementary Financial Information* report published quarterly and available on the Bank's website at nbc.ca. Furthermore, a complete list of capital instruments and their main features is now available on the Bank's website under *Investor Relations › Capital and Debt Information › Main Features of Regulatory Capital Instruments.*

The following table presents the regulatory capital ratios determined using the "all-in" methodology and the regulatory targets under Basel III.

	Capital ratios		Minimum capital ratios to be maintained		
	As at April 30, 2014 (1)	As at October 31, 2013 (2)	BCBS 2014	OSFI 2014 (3)	OSFI January 1, 2016 (3)(4)
Common Equity Tier 1 (CET1)	**8.7 %**	8.7 %	4.0 %	7.0 %	8.0 %
Tier 1	**11.6 %**	11.4 %	5.5 %	8.5 %	9.5 %
Total	**14.6 %**	15.0 %	8.0 %	10.5 %	11.5 %

(1) Basel III ratios, including a portion of the CVA charge.
(2) Basel III ratios, excluding the CVA charge; these ratios have not been adjusted to reflect changes in accounting standards.
(3) Includes the 2.5% capital conservation buffer.
(4) Includes the 1% surcharge applicable to D-SIBs.

Management Activities

On November 15, 2013, the Bank redeemed at nominal value for cancellation $500 million in notes maturing in November 2018. On December 13, 2013, the Bank redeemed for cancellation debentures with a nominal value of US$25 million maturing in February 2087.

On February 7, 2014, the Bank issued 14,000,000 Non-Cumulative 5-Year Rate-Reset Series 30 First Preferred Shares at a per-share price of $25.00 for gross proceeds of $350 million. Given that the Series 30 preferred shares satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III.

On February 15, 2014, the Bank redeemed the outstanding 2,425,880 Non-Cumulative Series 24 First Preferred Shares and the outstanding 1,724,835 Non-Cumulative Series 26 First Preferred Shares at a per-share price of $25.00 plus the periodic declared and unpaid dividend. Given the fact that these instruments were already grandfathered, subject to a phase-out under the Basel III transition rules, the impact of this redemption on the capital ratios was negligible.

Movement in Regulatory Capital(1)

(millions of Canadian dollars)	Six months ended April 30, 2014
Common Equity Tier 1 (CET1) Capital	
Balance at beginning	5,350
Issuance of common shares (including Stock Option Plan)	59
Repurchase of common shares	–
Contributed surplus	(3)
Dividends on preferred and common shares	(320)
Net income attributable to the Bank's shareholders	734
Other items related to retained earnings	–
Removal of own credit spread net of income taxes	9
Removal of reserves arising from property revaluation	–
Other	35
Movements in accumulated other comprehensive income	
Translation adjustments	16
Available-for-sale securities	31
Other	–
Change in goodwill and intangible assets (net of related tax liability)	(298)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	(72)
Change in amount exceeding 15% threshold	
Deferred tax assets	7
Significant investment in common shares of financial institutions	10
Change in other regulatory adjustments(2)	2
Balance at end	5,560
Additional Tier 1 Capital	
Balance at beginning	1,652
New Tier 1 eligible capital issuances	350
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	(104)
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	1,898
Total Tier 1 Capital	7,458
Tier 2 Capital	
Balance at beginning	2,184
New Tier 2 eligible capital issuances	–
Redeemed capital	(531)
Change in non-qualifying Tier 2 subject to phase-out	252
Change in eligible collective allowances	3
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	1,908
Total Regulatory Capital	9,366

(1) Figures are presented on an "all-in" basis.
(2) Represents the change in investments in the Bank's own CET1 and significant investments in the capital of non-consolidated entities above the 10% threshold.

RWA by Key Risk Drivers

Basel III RWA increased by $2.9 billion, totalling $64.2 billion as at April 30, 2014 compared to $61.3 billion as at October 31, 2013. This increase was mainly due to the coming into force of the CVA charge (the CVA charge had not been included in the RWA calculation as at October 31, 2013) and to organic growth. The Bank's risk-weighted assets are presented in the following table.

Capital Adequacy Under Basel III[(1)]

(millions of Canadian dollars)		As at April 30, 2014		As at October 31, 2013
	Exposure at default [(2)]	Risk-weighted assets [(3)]	Capital requirement [(4)]	Risk-weighted assets
Credit risk				
AIRB Approach				
Sovereign	20,921	462	37	418
Financial institutions	3,134	866	69	599
Corporate	44,002	19,716	1,577	19,159
Retail				
Residential mortgages	38,616	4,450	356	4,494
Qualifying revolving retail	4,610	1,408	113	1,440
Other retail	9,448	4,751	380	4,704
Standardized Approach				
Sovereign	229	–	–	–
Financial institutions	118	118	9	144
Corporate	3,304	2,662	213	3,015
Retail				
Residential mortgages	483	71	6	71
Qualifying revolving retail	–	–	–	–
Other retail	2,947	587	47	921
	127,812	35,091	2,807	34,965
Other assets	23,076	4,869	390	4,337
Counterparty credit risk				
AIRB Approach				
Sovereign	13,079	8	1	10
Financial institutions	47,165	2,132	171	2,425
Corporate	2,192	40	3	16
Trading portfolio	9,067	2,693	215	2,251
Standardized Approach				
Sovereign	–	–	–	–
Financial institutions	–	–	–	–
Corporate	3,758	122	10	213
Trading portfolio	597	316	25	273
Credit valuation adjustment charge		1,607	129	–
	75,858	6,918	554	5,188
Banking book equities				
Simple weighted method				
Exchange-traded	379	379	30	226
Non-exchange-traded	202	202	16	211
	581	581	46	437
Securitization positions – AIRB Approach	4,127	2,066	165	2,269
Regulatory scaling factor		2,319	186	2,255
Total – Credit risk	231,454	51,844	4,148	49,451
Market risk				
Internal model				
VaR		818	65	775
Stressed VaR		1,783	143	1,109
Standardized Approach				
Interest-rate-specific risk		1,287	103	1,498
		3,888	311	3,382
Operational risk – Standardized Approach		8,503	680	8,418
Total	231,454	64,235	5,139	61,251

(1) Figures are presented on an "all-in" basis, and the October 31, 2013 figures have not been adjusted to reflect changes in accounting standards.
(2) Exposure at default is the expected gross exposure upon the default of an obligor.
(3) Risk-weighted assets under the Standardized Approach reflect the impact of credit risk.
(4) The capital requirement is equal to 8% of risk-weighted assets.

Risk-Weighted Assets Movement by Key Drivers[1]

(millions of Canadian dollars)	Quarter ended April 30, 2014 Non-counterparty credit risk	Counterparty credit risk	Total	Quarter ended January 31, 2014 Total
Credit risk – Risk-weighted assets at beginning	44,415	7,615	52,030	49,451
Book size	399	(540)	(141)	1,209
Book quality	77	(197)	(120)	(697)
Model updates	–	–	–	–
Methodology and policy	–	–	–	1,625
Acquisitions and disposals	–	–	–	–
Foreign exchange movements	35	40	75	442
Credit risk – Risk-weighted assets at end	44,926	6,918	51,844	52,030
Market risk – Risk-weighted assets at beginning			4,110	3,382
Movement in risk levels[2]			(222)	728
Model updates			–	–
Methodology and policy			–	–
Acquisitions and disposals			–	–
Market risk – Risk-weighted assets at end			3,888	4,110
Operational risk – Risk-weighted assets at beginning			8,487	8,418
Movement in risk levels			16	69
Acquisitions and disposals			–	–
Operational risk – Risk-weighted assets at end			8,503	8,487
Risk-weighted assets at end			64,235	64,627

(1) Figures are presented on an "all-in" basis.
(2) Also includes foreign exchange movement that is not considered material.

Regulatory Capital Ratios

The CET1 capital ratio under Basel III, determined using the "all-in" methodology, was 8.7% as at April 30, 2014 and as at October 31, 2013. The CET1 capital ratio has returned to the October 31, 2013 level because the impacts of the TD Waterhouse Institutional Services acquisition and of the coming into force of the CVA charge were fully offset by net income, net of dividends, and by the issuance of common shares related mainly to exercised stock options. The Tier 1 and total capital ratios determined using the "all-in" methodology were, respectively, 11.6% and 14.6% as at April 30, 2014 versus 11.4% and 15.0% as at October 31, 2013. The change stems essentially from the above-mentioned factors and from the removal of ineligible capital instruments.

The assets-to-capital multiple was 18.8 as at April 30, 2014 versus 18.4 as at October 31, 2013.

Regulatory Capital and Capital Ratios Under Basel III[1]

(millions of Canadian dollars)	As at April 30, 2014	As at October 31, 2013
Common Equity Tier 1 Capital (CET1)	5,560	5,350
Tier 1 Capital	7,458	7,002
Total Regulatory Capital	9,366	9,186
Risk-Weighted Assets	64,235	61,251
Capital ratios		
Common Equity Tier 1 (CET1)	8.7 %	8.7 %
Tier 1	11.6 %	11.4 %
Total	14.6 %	15.0 %
Assets-to-capital multiple	18.8	18.4

(1) Figures are presented on an "all-in" basis, except for the assets-to-capital multiple, which is presented in accordance with the transitional requirements for Basel III, and the October 31, 2013 figures have not been adjusted to reflect changes in accounting standards.

Dividends

On May 27, 2014, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 48 cents per common share, up 2 cents or 4%, payable on August 1, 2014 to shareholders of record on June 26, 2014.

RISK MANAGEMENT

The Bank aims to maintain its financial performance by continuing to ensure prudent management and a sound balance between return and the risks assumed. The Bank views risk as an integral part of its development and the diversification of its activities and advocates a management approach consistent with its business expansion strategy. The Bank's governance structure for risk management has remained largely unchanged from that described in the 2013 Annual Report.

Managing risk requires a solid understanding of every type of risk found across the Bank. In addition to providing assurance that risk levels do not exceed acceptable thresholds, effective risk management can be used to control the volatility of the Bank's results. Despite the exercise of stringent risk management and the mitigation measures in place, risk cannot be suppressed entirely, and the residual risks may occasionally cause important losses.

Certain risks are discussed below. For additional information, see the Risk Management and Other Risk Factors sections on pages 60 to 85 of the 2013 Annual Report as well as Note 5 to the audited annual consolidated financial statements for the year ended October 31, 2013, which covers the management of risks associated with financial instruments, on pages 127 to 143 of the 2013 Annual Report. Risk management information is also provided in Note 6 to the unaudited interim condensed consolidated financial statements, which covers loans.

Credit Risk

Credit risk is the risk of a financial loss if an obligor does not fully honour its contractual commitments to the Bank. Obligors may be borrowers, issuers, counterparties or guarantors. Credit risk is the most significant risk facing the Bank in the normal course of business.

The amounts in the following table represent the Bank's maximum exposure to credit risk as at the financial reporting date without taking into account any collateral held or any other credit enhancements. These amounts do not take into account allowances for credit losses nor amounts pledged as collateral. The table also excludes equity securities.

Maximum Credit Risk Exposure Under the Basel II Asset Categories

(millions of Canadian dollars)						As at April 30, 2014	As at October 31, 2013
	Drawn	Undrawn commitments	Repo-style transactions (1)	OTC derivatives	Other off-balance-sheet items (2)	Total	Total
Retail							
Residential mortgages	34,014	5,085	–	–	–	39,099	38,414
Qualifying revolving retail	2,600	2,010	–	–	–	4,610	4,574
Other retail	11,232	1,148	–	–	15	12,395	11,976
	47,846	8,243	–	–	15	56,104	54,964
Non-retail							
Business	33,117	11,624	5,935	15	2,565	53,256	48,721
Sovereign	17,756	3,290	12,783	297	103	34,229	34,833
Financial institutions	2,605	260	46,449	718	385	50,417	52,108
	53,478	15,174	65,167	1,030	3,053	137,902	135,662
Trading portfolio	–	–	–	9,664	–	9,664	8,074
Securitization	1,241	–	–	–	2,886	4,127	4,307
Total credit risk	102,565	23,417	65,167	10,694	5,954	207,797	203,007
Standardized Approach	5,770	329	3,743	613	981	11,436	9,669
AIRB Approach	96,795	23,088	61,424	10,081	4,973	196,361	193,338
Total credit risk	102,565	23,417	65,167	10,694	5,954	207,797	203,007

(1) Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.
(2) Letters of guarantee, documentary letters of credit, and securitized assets that represent the Bank's commitment to make payments in the event that a client cannot meet its financial obligations to third parties.

In order to meet OSFI's mortgage loan disclosure requirements, additional information has been provided in Supplementary Financial Information for the Second Quarter Ended April 30, 2014, which is available on the Bank's website at nbc.ca.

To reduce counterparty risk, certain derivative financial instruments traded over the counter are settled directly or indirectly by central counterparties. The table below shows the distribution of notional amounts with respect to these financial instruments.

(millions of Canadian dollars)	As at April 30, 2014			As at October 31, 2013		
		OTC-traded			OTC-traded	
	Exchange-traded contracts	Settled by central counterparties	Not settled by central counterparties	Exchange-traded contracts	Settled by central counterparties	Not settled by central counterparties
Interest rate contracts	59,217	245,585	196,928	21,725	86,304	231,335
Foreign exchange contracts	217	–	135,131	207	–	91,206
Equity, commodity and credit derivative contracts	13,045	671	29,177	12,330	280	27,548

Market Risk

Market risk is the risk of financial loss resulting from adverse movements in underlying market factors. Managing this risk is a core competency for the Bank in its trading, investing and asset/liability management activities.

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

Reconciliation of Market Risk with Consolidated Balance Sheet Items

(millions of Canadian dollars)	As at April 30, 2014				
		Market risk measures			
	Balance sheet	Trading (1)	Non-Trading (2)	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	5,585	7	4,821	757	Interest rate(3)
Securities					
At fair value through profit or loss	45,250	42,286	2,964	–	Interest rate(3) and other(4)
Available-for-sale	9,397	–	9,397	–	Interest rate(3) and equity(5)
Securities purchased under reverse repurchase agreements and securities borrowed	19,079	–	19,079	–	Interest rate(3)(6)
Loans, net of allowances	92,462	2,229	90,233	–	Interest rate(3)
Customers' liability under acceptances	9,093	–	9,093	–	Interest rate(3)
Derivative financial instruments	6,324	5,683	641	–	Interest rate
Accrued benefit asset	213	–	213	–	Other
Other	6,886	–	–	6,886	
	194,289	50,205	136,441	7,643	
Liabilities					
Deposits	110,794	2,323	108,471	–	Interest rate(3)
Acceptances	9,093	–	9,093	–	Interest rate(3)
Obligations related to securities sold short	14,961	14,961	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	20,986	–	20,986	–	Interest rate(3)(6)
Derivative financial instruments	4,779	4,451	328	–	Interest rate
Liabilities related to transferred receivables	15,871	2,347	13,524	–	Interest rate(3)
Accrued benefit liability	214	–	214	–	Other
Other	5,985	113	–	5,872	
Subordinated debt	1,892	–	1,892	–	Interest rate(3)
Preferred share liabilities	341	–	341	–	Interest rate(3)
	184,916	24,195	154,849	5,872	

(1) Trading positions whose main risk measures are VaR and SVaR. For additional information, see the tables on subsequent pages as well as the Market Risk Management section in Note 5 to the audited annual consolidated financial statements as at October 31, 2013.
(2) Non-trading positions that use other risk measures.
(3) For additional information, see the tables on subsequent pages as well as the Market Risk Management section in Note 5 to the audited annual consolidated financial statements as at October 31, 2013.
(4) See the Master Asset Vehicles section in Note 5 to the unaudited interim condensed consolidated financial statements.
(5) The fair value of equity securities classified as available-for-sale is disclosed in Notes 3 and 5 to the unaudited interim condensed consolidated financial statements.
(6) These instruments are recorded at amortized cost and subject to credit risk for capital management purposes. For transactions with maturities of more than one day, the interest rate risk is included in the VaR and SVaR measures when they relate to trading activities.

(millions of Canadian dollars)					As at October 31, 2013 (1)
		Market risk measures			
	Balance sheet	Trading (2)	Non-Trading (3)	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	3,596	5	2,806	785	Interest rate (4)
Securities					
At fair value through profit or loss	44,000	40,790	3,210	–	Interest rate (4) and other (5)
Available-for-sale	9,744	–	9,744	–	Interest rate (4) and equity (6)
Securities purchased under reverse repurchase agreements and securities borrowed	21,449	–	21,449	–	Interest rate (4)(7)
Loans, net of allowances	88,384	1,588	86,796	–	Interest rate (4)
Customers' liability under acceptances	8,954	–	8,954	–	Interest rate (4)
Derivative financial instruments	5,904	5,252	652	–	Interest rate (8)
Accrued benefit asset	131	–	131	–	Other (9)
Other	6,057	–	–	6,057	
	188,219	47,635	133,742	6,842	
Liabilities					
Deposits	102,111	2,055	100,056	–	Interest rate (4)
Acceptances	8,954	–	8,954	–	Interest rate (4)
Obligations related to securities sold short	18,909	18,909	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	19,746	–	19,746	–	Interest rate (4)(7)
Derivative financial instruments	4,858	4,559	299	–	Interest rate (8)
Liabilities related to transferred receivables	15,323	2,028	13,295	–	Interest rate (4)
Accrued benefit liability	202	–	202	–	Other (9)
Other	6,737	109	–	6,628	
Subordinated debt	2,426	–	2,426	–	Interest rate (4)
	179,266	27,660	144,978	6,628	

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(2) Trading positions whose main risk measures are VaR and SVaR. For additional information, see the Market Risk Management section in Note 5 to the audited annual consolidated financial statements as at October 31, 2013.
(3) Non-trading positions that use other risk measures.
(4) For additional information, see the Market Risk Management section in Note 5 to the audited annual consolidated financial statements as at October 31, 2013.
(5) See the Master Asset Vehicles section in Note 6 to the audited annual consolidated financial statements as at October 31, 2013.
(6) The fair value of equity securities classified as available-for-sale is disclosed in Notes 3 and 5 to these unaudited interim condensed consolidated financial statements.
(7) These instruments are recorded at amortized cost and subject to credit risk for capital management purposes. For transactions with maturities of more than one day, the interest rate risk is included in the VaR and SVaR measures when they relate to trading activities.
(8) See Notes 15 and 16 to the audited annual consolidated financial statements as at October 31, 2013.
(9) See Note 22 to the audited annual consolidated financial statements as at October 31, 2013.

The first table below shows the VaR distribution of trading portfolios by risk category as well as the correlation effect. The second table shows the SVaR distribution, i.e., the VaR of the Bank's current portfolios obtained following the calibration of risk factors over a 12-month stress period.

VaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars)

				Quarter ended					Six months ended	
	April 30, 2014				January 31, 2014		April 30, 2013		**April 30, 2014**	April 30, 2013
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(3.2)**	**(6.4)**	**(4.8)**	**(6.1)**	(5.7)	(4.4)	(7.2)	(7.2)	**(5.3)**	(6.8)
Foreign exchange	**(1.2)**	**(2.9)**	**(1.8)**	**(2.1)**	(0.9)	(1.5)	(0.6)	(0.5)	**(1.3)**	(0.6)
Equity	**(4.1)**	**(5.7)**	**(4.9)**	**(4.7)**	(5.2)	(5.1)	(5.3)	(4.6)	**(5.1)**	(5.2)
Commodity	**(0.6)**	**(1.1)**	**(0.9)**	**(0.9)**	(1.0)	(1.1)	(1.3)	(1.2)	**(0.9)**	(1.3)
Correlation effect[2]	**n.m.**	**n.m.**	**5.5**	**6.8**	5.2	4.2	6.2	5.6	**5.3**	6.1
Total trading VaR	**(5.3)**	**(8.3)**	**(6.9)**	**(7.0)**	(7.6)	(7.9)	(8.2)	(7.9)	**(7.3)**	(7.8)

SVaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars)

				Quarter ended					Six months ended	
	April 30, 2014				January 31, 2014		April 30, 2013		**April 30, 2014**	April 30, 2013
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(7.3)**	**(11.7)**	**(9.8)**	**(11.1)**	(11.5)	(10.7)	(10.4)	(9.1)	**(10.7)**	(10.4)
Foreign exchange	**(2.4)**	**(8.1)**	**(4.3)**	**(4.1)**	(2.0)	(4.4)	(1.0)	(0.4)	**(3.2)**	(1.1)
Equity	**(8.4)**	**(18.2)**	**(13.2)**	**(12.1)**	(13.4)	(14.5)	(7.2)	(6.0)	**(13.3)**	(7.1)
Commodity	**(0.6)**	**(2.2)**	**(1.4)**	**(0.6)**	(1.1)	(1.8)	(2.0)	(1.2)	**(1.2)**	(1.8)
Correlation effect[2]	**n.m.**	**n.m.**	**13.7**	**13.8**	12.6	15.2	9.4	7.7	**13.2**	9.7
Total trading SVaR	**(10.9)**	**(21.7)**	**(15.0)**	**(14.1)**	(15.4)	(16.2)	(11.2)	(9.0)	**(15.2)**	(10.7)

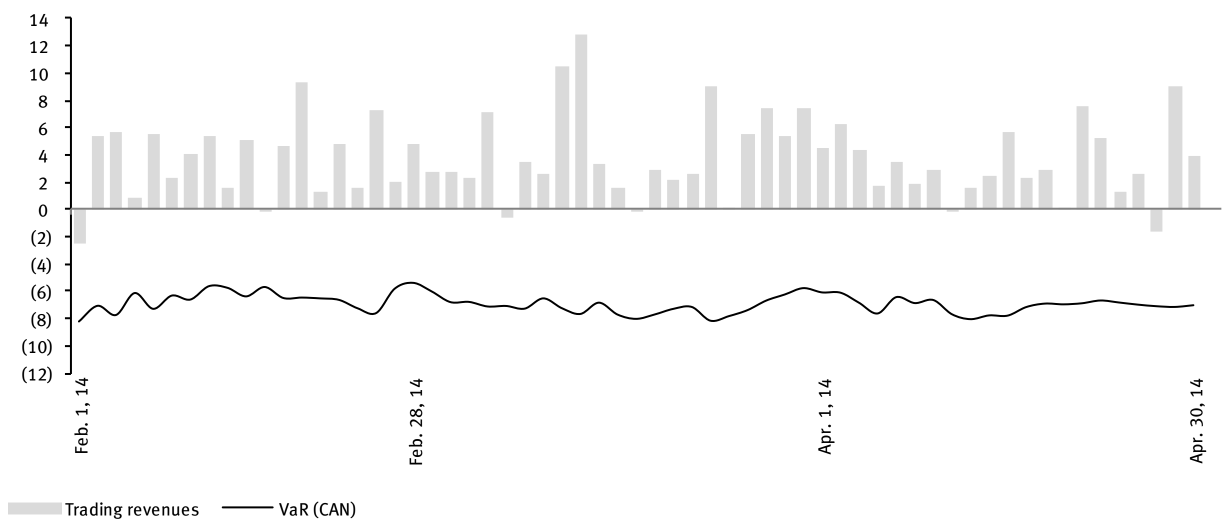
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day VaR or SVaR using a 99% confidence level.
(2) The correlation effect is the result of the diversification of types of risk.

As shown in the tables, the trading VaR is generally lower than the VaR of the individual portfolios, which shows the correlation effect. Average trading VaR was \$6.9 million for the quarter ended April 30, 2014, down \$0.7 million from the quarter ended January 31, 2014, mainly due to lower interest rate VaR. Average trading SVaR was \$15.0 million for the quarter ended April 30, 2014 compared to \$15.4 million the previous quarter. This decrease was caused by a lower SVaR for the interest rate and equity risk categories. Trading VaR was lower in February 2014 and increased thereafter, whereas trading SVaR peaked in April 2014 and subsequently decreased towards the end of the quarter.

Daily Trading Revenues

The following table shows daily trading revenues and VaR. Daily trading revenues were positive more than 90% of the days for the quarter ended April 30, 2014. Net daily trading losses in excess of $1 million were recorded on two days. None of these losses exceeded the VaR limit.

Quarter ended April 30, 2014
(millions of Canadian dollars)



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

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

(millions of Canadian dollars)			**As at April 30, 2014**			
			Impact on equity			**Impact on interest income**
	Canadian dollar	**U.S. dollar**	**Total**	**Canadian dollar**	**U.S. dollar**	**Total**
100-basis-point increase in the interest rate	**(93)**	**(12)**	**(105)**	**12**	**6**	**18**
100-basis-point decrease in the interest rate	**52**	**10**	**62**	**(17)**	**(9)**	**(26)**

(millions of Canadian dollars)			As at October 31, 2013			
			Impact on equity			Impact on interest income
	Canadian dollar	U.S. dollar	Total	Canadian dollar	U.S. dollar	Total
100-basis-point increase in the interest rate	(148)	15	(133)	(13)	17	4
100-basis-point decrease in the interest rate	122	(17)	105	2	(19)	(17)

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to honour daily cash and collateral pledging commitments without resorting to costly and untimely measures. Liquidity risk arises when sources of funds become insufficient to meet scheduled payments under the Bank's commitments. Liquidity risk stems from mismatched cash flows related to assets and liabilities as well as the characteristics of certain products such as credit commitments and non-fixed-term deposits.

Regulatory Context

The regulatory environment with respect to liquidity has evolved significantly since the financial crisis. The Bank is working closely with international and national regulators to implement regulatory liquidity standards.

In December 2010, the Basel Committee on Banking Supervision (BCBS) issued a document entitled *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*, which essentially covered the proposed application of two regulatory ratios: the Liquidity Coverage Ratio (LCR), which is intended to see banks through severe short-term stress, and the Net Stable Funding Ratio (NSFR), whose objective is to ensure that banks have the long-term funding needed to fund less liquid assets. The LCR rules were finalized in January 2013 and will come into effect in January 2015. A consultation between the Bank for International Settlements and the financial industry aimed at finalizing the NSFR rules is still ongoing with implementation scheduled for 2018. The Bank has already begun monitoring both ratios and reports them to OSFI monthly. The Bank expects to meet the requirements on the implementation date.

In February 2012, OSFI issued an update of its guideline on liquidity management to financial institutions. The revised guideline was developed based on the BCBS's *Principles for Sound Liquidity Risk Management and Supervision*. The Bank is in compliance with this guideline.

Moreover, in April 2013, the BCBS issued a paper on intraday liquidity entitled *Monitoring Tools for Intraday Liquidity Management.* The intent of this document is to provide guidance for banks on their management of intraday liquidity risk and ability to meet payment and settlement obligations on a timely basis. The implementation schedule proposed ranges from January 2015 to January 2017 at the latest.

Lastly, on November 28, 2013, OSFI issued its *Liquidity Adequacy Requirements* (LAR) guideline for public consultation. The LAR guideline is the new liquidity framework proposed by OSFI. It contains the following six chapters: Overview, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Net Cumulative Cash Flow (NCCF), Liquidity Monitoring Tools and Intraday Liquidity Monitoring Tools. The Net Cumulative Cash Flow (NCCF) metric is defined as a survival period. It is based on the assumptions of a stress scenario prescribed by OSFI that aims to represent a combined systemic and bank-specific crisis. The minimum survival period required is 20 weeks. However, each bank must survive at least 16 weeks per significant currency. The Bank considers two significant currencies to that effect: the Canadian dollar and the U.S. dollar.

Liquid Assets

To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be easily liquidated to meet financial obligations. This portfolio consists of highly liquid securities, most of which are issued or guaranteed by governments, and of cash loans with maturities less than 30 days. The majority of unencumbered liquid assets are denominated in Canadian or U.S. dollars. Moreover, all assets that are readily transferable into cash are considered liquid assets. The Bank does not consider any central bank's emergency liquidity facilities in its liquidity reserve. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio

(millions of Canadian dollars)	As at April 30, 2014					As at October 31, 2013
	Bank-owned liquid assets (1)	Liquid assets received (2)	Total liquid assets	Encumbered liquid assets (3)	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	4,640	–	4,640	–	4,640	3,548
Securities						
Issued or guaranteed by Canada, U.S. Treasury, other U.S. agencies and other foreign governments	16,688	19,876	36,564	26,043	10,521	10,964
Issued or guaranteed by provinces	12,139	11,235	23,374	18,396	4,978	3,615
Issued or guaranteed by municipalities and school boards	757	166	923	73	850	682
Other debt securities	3,616	1,331	4,947	1,817	3,130	2,365
Equity securities	20,150	23,840	43,990	29,478	14,512	16,092
Loans						
Securities backed by insured residential mortgages	2,252	–	2,252	550	1,702	620
As at April 30, 2014	60,242	56,448	116,690	76,357	40,333	
As at October 31, 2013	57,310	58,757	116,067	78,181		37,886

(millions of Canadian dollars)	As at April 30, 2014	As at October 31, 2013
Unencumbered Bank-owned liquid assets by entity		
National Bank (parent)	29,721	26,355
Domestic subsidiaries	5,854	8,475
Foreign subsidiaries and branches	4,758	3,056
	40,333	37,886

(millions of Canadian dollars)	As at April 30, 2014	As at October 31, 2013
Unencumbered Bank-owned liquid assets by currency		
Canadian dollar	26,554	24,533
U.S. dollar	12,748	12,840
Other currencies	1,031	513
	40,333	37,886

Liquid Asset Portfolio – Average(4)

(millions of Canadian dollars)	Quarter ended April 30, 2014				
	Bank-owned liquid assets (1)	Liquid assets received (2)	Total liquid assets	Encumbered liquid assets (3)	Unencumbered liquid assets
Cash and deposits with financial institutions	5,694	–	5,694	–	5,694
Securities					
Issued or guaranteed by Canada, U.S. Treasury, other U.S. agencies and other foreign governments	18,250	23,451	41,701	30,952	10,749
Issued or guaranteed by provinces	12,244	11,151	23,395	18,926	4,469
Issued or guaranteed by municipalities and school boards	752	144	896	73	823
Other debt securities	3,454	1,225	4,679	1,773	2,906
Equity securities	19,174	26,608	45,782	29,400	16,382
Loans					
Securities backed by insured residential mortgages	1,903	–	1,903	576	1,327
	61,471	62,579	124,050	81,700	42,350

(1) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
(2) Securities received as collateral with respect to securities financing and derivative transactions and securities purchased under reverse repurchase agreements and securities borrowed.
(3) In the normal course of its financing activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered liquid assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions and asset-backed securities.
(4) The average is based on the sum of the end-of-period balances of the three months of the quarter divided by three.

Summary of Encumbered and Unencumbered Assets

(millions of Canadian dollars)						As at April 30, 2014
	Encumbered assets[1]		Unencumbered assets		Total	Encumbered assets as % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	49	896	4,640	–	5,585	0.5
Securities	23,476	–	29,873	1,298	54,647	12.1
Securities purchased under reverse repurchase agreements and securities borrowed	–	14,961	4,118	–	19,079	7.7
Loans, net of allowances	27,794	–	1,702	62,966	92,462	14.3
Customers' liability under acceptances	–	–	–	9,093	9,093	–
Derivative financial instruments	–	–	–	6,324	6,324	–
Due from clients, dealers and brokers	–	–	–	1,120	1,120	–
Investments in associates and joint ventures	–	–	–	674	674	–
Premises and equipment	–	–	–	387	387	–
Goodwill	–	–	–	1,272	1,272	–
Intangible assets	–	–	–	1,016	1,016	–
Other assets	–	–	–	2,630	2,630	–
Total	51,319	15,857	40,333	86,780	194,289	34.6

(millions of Canadian dollars)						As at October 31, 2013[4]
	Encumbered assets[1]		Unencumbered assets		Total	Encumbered assets as % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	48	–	3,548	–	3,596	–
Securities	21,205	–	31,178	1,361	53,744	11.3
Securities purchased under reverse repurchase agreements and securities borrowed	–	18,909	2,540	–	21,449	10.0
Loans, net of allowances	20,266	–	620	67,498	88,384	10.8
Customers' liability under acceptances	–	–	–	8,954	8,954	–
Derivative financial instruments	–	–	–	5,904	5,904	–
Due from clients, dealers and brokers	–	–	–	1,101	1,101	–
Investments in associates and joint ventures	–	–	–	684	684	–
Premises and equipment	–	–	–	404	404	–
Goodwill	–	–	–	1,064	1,064	–
Intangible assets	–	–	–	898	898	–
Other assets	–	–	–	2,037	2,037	–
Total	41,519	18,909	37,886	89,905	188,219	32.1

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

(2) Other encumbered assets include assets for which there are restrictions and therefore cannot be used for collateral or funding purposes as well as assets used to cover short sales.

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

(4) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.

Funding Risk

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

Funding and liquidity levels remained sound and robust over the period and the Bank does not anticipate any event, commitment or demand that will have a significant impact on its liquidity risk position.

The Bank's balance sheet is well diversified and aligned with its funding strategy. The core banking activities are funded entirely through personal and commercial deposits and through securitization programs. Wholesale funding is invested in cash and securities. A detailed breakdown of the Bank's wholesale funding is as follows:

(millions of Canadian dollars)								As at April 30, 2014[1]
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Subtotal 1 year or less	Over 1 year to 2 years	Over 2 years	Total
Deposits from banks[2]	2,589	1,397	–	7	3,993	27	24	4,044
Certificates of deposit and commercial paper[3]	1,583	437	577	1,774	4,371	5,659	987	11,017
Asset-backed commercial paper	–	–	–	–	–	–	–	–
Senior unsecured medium-term notes[4]	–	–	1,191	1,894	3,085	3,734	4,024	10,843
Senior unsecured structured notes	31	44	78	90	243	7	649	899
Covered bonds and asset-backed securities								
Mortgage securitization	12	398	285	741	1,436	1,368	13,067	15,871
Covered bonds	–	–	–	–	–	–	5,237	5,237
Securitization of credit card receivables	–	–	–	330	330	950	–	1,280
Subordinated liabilities[5]	34	–	–	350	384	500	1,008	1,892
Other	–	–	–	–	–	–	–	–
	4,249	2,276	2,131	5,186	13,842	12,245	24,996	51,083
Of which:								
Secured funding	12	398	285	1,071	1,766	2,318	18,304	22,388
Unsecured funding	4,237	1,878	1,846	4,115	12,076	9,927	6,692	28,695
As at April 30, 2014	4,249	2,276	2,131	5,186	13,842	12,245	24,996	51,083
As at October 31, 2013	3,906	3,368	2,257	2,808	12,339	11,629	21,539	45,507

(1) Bankers' acceptances are not included in this table.
(2) Deposits from banks correspond to all institutional term deposits made by financial institutions such as banks, broker-dealers, pension funds, trusts, etc.
(3) Includes bearer deposit notes.
(4) Certificates of deposit denominated in euros are included in senior unsecured medium-term notes.
(5) Subordinated debt is presented in this table but the Bank does not consider it as part of its wholesale funding.

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

(millions of Canadian dollars)			As at April 30, 2014
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Derivatives[1]	115	160	269

(1) Contractual requirements related to agreements known as Credit Support Annexes.

Residual Contractual Maturities of Balance Sheet Items and Off-Balance-Sheet Commitments

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at April 30, 2014 with comparative figures as at October 31, 2013. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk nor its liquidity risk and funding needs. The Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows.

In the normal course of business, the Bank enters into various off-balance-sheet commitments. The credit instruments used to meet the funding needs of its clients represent the maximum amount of additional credit the Bank could be obligated to extend if the commitments were fully drawn.

The Bank also has minimum future commitments under leases for premises as well as for other contracts, mainly contracts for outsourced IT services. Most of the lease commitments are related to operating leases.

(millions of Canadian dollars)									As at April 30, 2014	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
ASSETS										
Cash and deposits with financial institutions	3,434	242	–	–	–	–	–	–	1,909	5,585
Securities										
At fair value through profit or loss	308	1,264	1,223	1,018	1,262	4,905	8,174	7,569	19,527	45,250
Available-for-sale	297	261	54	70	–	546	4,221	3,421	527	9,397
	605	1,525	1,277	1,088	1,262	5,451	12,395	10,990	20,054	54,647
Securities purchased under reverse repurchase agreements and securities borrowed	8,246	3,779	4,310	436	17	221	–	–	2,070	19,079
Loans and acceptances (1)										
Residential mortgage	984	1,595	1,759	1,700	1,739	8,743	20,280	594	270	37,664
Personal and credit card	269	396	503	546	623	2,149	5,537	1,497	17,546	29,066
Business and government	5,179	1,751	1,201	1,429	1,037	1,575	3,579	966	9,607	26,324
Customers' liability under acceptances	8,131	957	5	–	–	–	–	–	–	9,093
Allowances for credit losses									(592)	(592)
	14,563	4,699	3,468	3,675	3,399	12,467	29,396	3,057	26,831	101,555
Other										
Derivative financial instruments	230	270	221	565	168	630	1,560	2,680	–	6,324
Due from clients, dealers and brokers(1)									1,120	1,120
Investments in associates and joint ventures									674	674
Premises and equipment									387	387
Goodwill									1,272	1,272
Intangible assets									1,016	1,016
Other assets	214	115	227	97	270	69	47	140	1,451	2,630
	444	385	448	662	438	699	1,607	2,820	5,920	13,423
	27,292	10,630	9,503	5,861	5,116	18,838	43,398	16,867	56,784	194,289

(1) Amounts collectible on demand are considered to have no specified maturity.

(millions of Canadian dollars)									As at April 30, 2014	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
LIABILITIES AND EQUITY										
Deposits[1][2]										
Personal	753	1,450	1,515	1,480	1,977	4,801	8,518	418	24,702	45,614
Business and government	578	112	85	108	102	595	310	263	29,548	31,701
Deposit-taking institutions	200	455	–	–	–	–	–	–	784	1,439
Unsecured senior debt	4,203	1,878	1,846	2,736	1,029	9,427	4,996	688	–	26,803
Covered bonds	–	–	–	–	–	–	3,723	1,514	–	5,237
	5,734	3,895	3,446	4,324	3,108	14,823	17,547	2,883	55,034	110,794
Other										
Acceptances	8,131	957	5	–	–	–	–	–	–	9,093
Obligations related to securities sold short[3]	81	409	72	62	117	506	4,132	6,717	2,865	14,961
Obligations related to securities sold under repurchase agreements and securities loaned	12,081	773	3,480	3,223	–	–	–	–	1,429	20,986
Derivative financial instruments	224	469	277	411	205	671	1,220	1,302	–	4,779
Due to clients, dealers and brokers[1]									1,892	1,892
Liabilities related to transferred receivables[4]	12	398	285	338	403	1,368	8,398	4,669	–	15,871
Securitization – Credit card[5]	–	–	–	–	330	950	–	–	–	1,280
Other liabilities – Other items[1][5]	178	69	141	57	562	10	34	46	1,930	3,027
	20,707	3,075	4,260	4,091	1,617	3,505	13,784	12,734	8,116	71,889
Subordinated debt	34	–	–	350	–	500	1,000	8	–	1,892
Preferred share liabilities									341	341
Equity									9,373	9,373
	26,475	6,970	7,706	8,765	4,725	18,828	32,331	15,625	72,864	194,289
OFF-BALANCE-SHEET COMMITMENTS										
Letters of guarantee and documentary letters of credit	19	36	200	612	278	1,195	852	206	–	3,398
Credit card receivables[6]									6,419	6,419
Backstop liquidity and credit enhancement facilities	15	–	–	15	3,026	1,047	844	–	–	4,947
Commitments to extend credit[7]	813	1,233	1,562	1,114	1,301	7,406	6,349	387	18,520	38,685
Lease commitments and other contracts	59	116	168	164	116	427	658	534	–	2,242
Other guarantee	–	–	–	–	–	–	–	–	28	28

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Amounts have been disclosed according to the remaining contractual maturity of the underlying security.
(4) These amounts mainly include liabilities related to the securitization of mortgage loans.
(5) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(6) These amounts are unconditionally revocable at the Bank's discretion at any time.
(7) These amounts include $16.6 billion that is unconditionally revocable at the Bank's discretion at any time.

(millions of Canadian dollars)									As at October 31, 2013[1]	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
ASSETS										
Cash and deposits with financial institutions	1,177	203	–	–	–	–	–	–	2,216	3,596
Securities										
At fair value through profit or loss	286	1,151	770	10	2,234	4,233	7,335	10,374	17,607	44,000
Available-for-sale	365	36	64	103	60	607	4,917	3,193	399	9,744
	651	1,187	834	113	2,294	4,840	12,252	13,567	18,006	53,744
Securities purchased under reverse repurchase agreements and securities borrowed	7,142	5,039	3,814	1,330	347	–	–	–	3,777	21,449
Loans and acceptances[2]										
Residential mortgage	871	968	1,289	2,271	1,732	7,503	20,976	698	265	36,573
Personal and credit card	254	322	500	624	513	1,652	5,619	1,447	17,058	27,989
Business and government	4,050	1,492	1,063	1,421	908	1,463	3,427	901	9,675	24,400
Customers' liability under acceptances	8,104	843	7	–	–	–	–	–	–	8,954
Allowances for credit losses									(578)	(578)
	13,279	3,625	2,859	4,316	3,153	10,618	30,022	3,046	26,420	97,338
Other										
Derivative financial instruments	321	338	156	148	151	705	1,580	2,505	–	5,904
Due from clients, dealers and brokers[2]									1,101	1,101
Investments in associates and joint ventures									684	684
Premises and equipment									404	404
Goodwill									1,064	1,064
Intangible assets									898	898
Other assets	144	63	219	115	113	64	124	76	1,119	2,037
	465	401	375	263	264	769	1,704	2,581	5,270	12,092
	22,714	10,455	7,882	6,022	6,058	16,227	43,978	19,194	55,689	188,219

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(2) Amounts collectible on demand are considered to have no specified maturity.

(millions of Canadian dollars) — As at October 31, 2013[1]

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
LIABILITIES AND EQUITY										
Deposits[2][3]										
Personal	801	970	1,808	2,043	1,479	4,457	8,272	355	22,467	42,652
Business and government	840	189	247	143	153	308	450	305	29,274	31,909
Deposit-taking institutions	141	314	–	–	–	–	–	–	617	1,072
Unsecured senior debt	3,349	1,835	1,895	617	1,506	8,891	4,725	518	–	23,336
Covered bonds	–	1,043	–	–	–	–	2,099	–	–	3,142
	5,131	4,351	3,950	2,803	3,138	13,656	15,546	1,178	52,358	102,111
Other										
Acceptances	8,104	843	7	–	–	–	–	–	–	8,954
Obligations related to securities sold short[4]	258	210	413	–	818	1,183	4,199	8,260	3,568	18,909
Obligations related to securities sold under repurchase agreements and securities loaned	8,968	3,349	5,366	773	–	–	–	–	1,290	19,746
Derivative financial instruments	245	580	345	140	160	590	1,380	1,418	–	4,858
Due to clients, dealers and brokers[2]									2,442	2,442
Liabilities related to transferred receivables[5]	14	490	362	402	283	1,108	7,274	5,390	–	15,323
Securitization – Credit card[6]	–	–	–	–	–	1,280	–	–	–	1,280
Other liabilities – Other items[2][6]	156	63	155	1	588	97	120	173	1,864	3,217
	17,745	5,535	6,648	1,316	1,849	4,258	12,973	15,241	9,164	74,729
Subordinated debt	543	–	–	–	–	350	1,500	33	–	2,426
Equity									8,953	8,953
	23,419	9,886	10,598	4,119	4,987	18,264	30,019	16,452	70,475	188,219
OFF-BALANCE-SHEET COMMITMENTS										
Letters of guarantee and documentary letters of credit	8	404	43	254	265	1,150	1,054	65	–	3,243
Credit card receivables[7]									6,332	6,332
Backstop liquidity and credit enhancement facilities	–	15	2,050	15	–	2,098	–	886	–	5,064
Commitments to extend credit[8]	813	507	1,175	1,740	1,613	7,423	6,507	294	18,172	38,244
Lease commitments and other contracts	62	120	174	169	163	453	696	550	–	2,387
Other guarantee	–	–	–	–	–	–	–	–	29	29

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(2) Amounts payable upon demand or notice are considered to have no specified maturity.
(3) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(4) Amounts have been disclosed according to the remaining contractual maturity of the underlying security.
(5) These amounts mainly include liabilities related to the securitization of mortgage loans.
(6) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(7) These amounts are unconditionally revocable at the Bank's discretion at any time.
(8) These amounts include $15.9 billion that is unconditionally revocable at the Bank's discretion at any time.

ADDITIONAL FINANCIAL INFORMATION

Quarterly Information

(millions of Canadian dollars, except per share amounts)	2014		2013[1]				2012[1]		2013[1]	2012[1]
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Total	Total
Total revenues	**1,276**	1,364	1,251	1,285	1,383	1,232	1,347	1,218	5,151	5,301
Net income	**362**	405	320	402	417	373	342	370	1,512	1,597
Earnings per share[2] ($)										
Basic	**1.02**	1.16	0.91	1.16	1.21	1.06	0.98	1.06	4.34	4.63
Diluted	**1.01**	1.15	0.90	1.16	1.20	1.05	0.97	1.05	4.31	4.58
Dividends per common share[2] ($)	**0.46**	0.46	0.44	0.44	0.41	0.41	0.40	0.40	1.70	1.54
Return on common shareholders' equity (%)	**17.4**	19.8	15.8	21.0	23.4	20.7	19.5	21.3	20.1	24.1
Total assets	**194,289**	195,300	188,219	187,195	184,775	183,788	177,903	179,816		
Impaired loans, net	**191**	194	183	172	146	165	179	158		
Per common share[2] ($)										
Book value	**24.43**	23.68	22.97	22.60	21.57	20.76	20.02	19.80		
Stock trading range										
High	**45.73**	46.86	45.24	39.68	39.76	40.02	38.76	38.70		
Low	**41.60**	41.72	38.86	36.33	36.18	37.53	36.95	35.53		

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2 to the unaudited interim condensed consolidated financial statements.
(2) Reflecting the stock dividend paid on February 13, 2014. See Note 13 to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at April 30, 2014	As at October 31, 2013[1]
ASSETS		
Cash and deposits with financial institutions	5,585	3,596
Securities (Notes 4 and 5)		
At fair value through profit or loss	45,250	44,000
Available-for-sale	9,397	9,744
	54,647	53,744
Securities purchased under reverse repurchase agreements and securities borrowed	19,079	21,449
Loans (Note 6)		
Residential mortgage	37,664	36,573
Personal and credit card	29,066	27,989
Business and government	26,324	24,400
	93,054	88,962
Customers' liability under acceptances	9,093	8,954
Allowances for credit losses	(592)	(578)
	101,555	97,338
Other		
Derivative financial instruments	6,324	5,904
Due from clients, dealers and brokers	1,120	1,101
Investments in associates and joint ventures	674	684
Premises and equipment	387	404
Goodwill	1,272	1,064
Intangible assets	1,016	898
Other assets (Note 8)	2,630	2,037
	13,423	12,092
	194,289	188,219
LIABILITIES AND EQUITY		
Deposits (Notes 4 and 9)		
Personal	45,614	42,652
Business and government	59,753	57,103
Deposit-taking institutions	5,427	2,356
	110,794	102,111
Other		
Acceptances	9,093	8,954
Obligations related to securities sold short	14,961	18,909
Obligations related to securities sold under repurchase agreements and securities loaned	20,986	19,746
Derivative financial instruments	4,779	4,858
Due to clients, dealers and brokers	1,892	2,442
Liabilities related to transferred receivables (Notes 4 and 7)	15,871	15,323
Other liabilities (Note 10)	4,307	4,497
	71,889	74,729
Subordinated debt (Note 11)	1,892	2,426
Preferred share liabilities (Note 13)	341	–
EQUITY (Notes 13 and 17)		
Equity attributable to the Bank's shareholders		
Preferred shares	573	677
Common shares	2,219	2,160
Contributed surplus	55	58
Retained earnings	5,471	5,055
Accumulated other comprehensive income	260	214
	8,578	8,164
Non-controlling interests (Note 14)	795	789
	9,373	8,953
	194,289	188,219

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2014	2013[(1)]	2014	2013[(1)]
Interest income				
Loans	817	796	1,656	1,598
Securities at fair value through profit or loss	284	262	505	477
Available-for-sale securities	51	48	99	98
Deposits with financial institutions	6	5	12	9
	1,158	1,111	2,272	2,182
Interest expense				
Deposits	297	246	580	487
Liabilities related to transferred receivables	96	101	194	208
Subordinated debt	18	25	38	51
Other	98	119	197	220
	509	491	1,009	966
Net interest income	649	620	1,263	1,216
Non-interest income				
Underwriting and advisory fees	85	83	168	151
Securities brokerage commissions	87	87	172	172
Mutual fund revenues	60	53	119	106
Trust service revenues	94	78	183	152
Credit fees	91	95	185	194
Card revenues	30	30	60	58
Deposit and payment service charges	57	57	116	115
Trading revenues (losses) (Note 16)	(33)	121	45	155
Gains (losses) on available-for-sale securities, net	19	27	39	42
Insurance revenues, net	27	28	55	61
Foreign exchange revenues, other than trading	21	22	46	43
Share in the net income of associates and joint ventures	7	6	14	12
Other	82	76	175	138
	627	763	1,377	1,399
Total revenues	1,276	1,383	2,640	2,615
Provisions for credit losses	51	53	102	85
	1,225	1,330	2,538	2,530
Non-interest expenses				
Compensation and employee benefits	482	484	990	927
Occupancy	57	57	111	109
Technology	108	144	213	243
Communications	17	18	33	34
Professional fees	52	56	108	105
Other	83	75	160	153
	799	834	1,615	1,571
Income before income taxes	426	496	923	959
Income taxes	64	79	156	169
Net income	362	417	767	790
Net income attributable to				
Preferred shareholders	10	10	19	22
Common shareholders	335	392	715	736
Bank shareholders	345	402	734	758
Non-controlling interests	17	15	33	32
	362	417	767	790
Earnings per share[(2)] (Note 19) *(dollars)*				
Basic	1.02	1.21	2.19	2.27
Diluted	1.01	1.20	2.16	2.25
Dividends per common share[(2)] *(dollars)*	0.46	0.41	0.92	0.82

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.
(2) Reflecting the stock dividend paid on February 13, 2014. See Note 13.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2014	2013[(1)]	2014	2013[(1)]
Net income	**362**	417	**767**	790
Other comprehensive income, net of income taxes				
Items that may be subsequently reclassified to net income				
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**1**	7	**76**	12
Impact of hedging net foreign currency translation gains (losses)	**3**	(7)	**(60)**	(9)
	4	–	**16**	3
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**49**	49	**67**	69
Net (gains) losses on available-for-sale securities reclassified to net income	**(20)**	(15)	**(36)**	(25)
	29	34	**31**	44
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**14**	7	**7**	(1)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(7)	**(6)**	(17)
	11	–	**1**	(18)
Item that will not be subsequently reclassified to net income				
Actuarial gains and losses on employee benefit plans	**43**	(30)	**35**	(8)
Share in the other comprehensive income of associates and joint ventures	**(1)**	1	**–**	–
Total other comprehensive income, net of income taxes	**86**	5	**83**	21
Comprehensive income	**448**	422	**850**	811
Comprehensive income attributable to				
Bank shareholders	**430**	406	**815**	777
Non-controlling interests	**18**	16	**35**	34
	448	422	**850**	811

INCOME TAXES — OTHER COMPREHENSIVE INCOME

The following table presents the income tax expense or recovery for each component of other comprehensive income:

	Quarter ended April 30		Six months ended April 30	
	2014	2013[(1)]	2014	2013[(1)]
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(1)**	–	**3**	–
Impact of hedging net foreign currency translation gains (losses)	**(3)**	(1)	**(18)**	(2)
	(4)	(1)	**(15)**	(2)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**19**	18	**25**	25
Net (gains) losses on available-for-sale securities reclassified to net income	**(8)**	(5)	**(14)**	(9)
	11	13	**11**	16
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**5**	2	**2**	–
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(1)**	(4)	**(2)**	(8)
	4	(2)	**–**	(8)
Actuarial gains and losses on employee benefit plans	**16**	(12)	**13**	(4)
	27	(2)	**9**	2

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (millions of Canadian dollars)

	Six months ended April 30	
	2014	2013[(1)]
Preferred shares at beginning	**677**	762
Issuance of Series 28 preferred shares	**–**	200
Redemption of Series 15, 24 and 26 preferred shares for cancellation	**(104)**	(200)
Preferred shares at end	**573**	762
Common shares at beginning	**2,160**	2,054
Issuances of common shares		
Stock Option Plan	**59**	71
Other	**–**	1
Common shares at end	**2,219**	2,126
Contributed surplus at beginning	**58**	58
Stock option expense (Note 17)	**7**	8
Stock options exercised	**(8)**	(9)
Other	**(2)**	2
Contributed surplus at end	**55**	59
Retained earnings at beginning	**5,055**	4,091
Net income attributable to the Bank's shareholders	**734**	758
Dividends (Note 13)		
Preferred shares and preferred share liabilities	**(19)**	(22)
Common shares	**(301)**	(269)
Share issuance expenses	**–**	(4)
Actuarial gains and losses on employee benefit plans	**35**	(8)
Impact of a financial liability resulting from a put option written to a non-controlling interest	**(33)**	–
Retained earnings at end	**5,471**	4,546
Accumulated other comprehensive income at beginning	**214**	255
Net foreign currency translation adjustments	**16**	3
Net change in unrealized gains (losses) on available-for-sale securities	**31**	44
Net change in gains (losses) on cash flow hedges	**(1)**	(20)
Accumulated other comprehensive income at end	**260**	282
Equity attributable to the Bank's shareholders	**8,578**	7,775
Non-controlling interests at beginning	**789**	791
Net income attributable to non-controlling interests	**33**	32
Other comprehensive income attributable to non-controlling interests	**2**	2
Distributions to non-controlling interests	**(29)**	(31)
Non-controlling interests at end	**795**	794
Equity	**9,373**	8,569

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at April 30, 2014	As at April 30, 2013[(1)]
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**10**	(9)
Net unrealized gains (losses) on available-for-sale securities	**203**	208
Net gains (losses) on instruments designated as cash flow hedges	**46**	81
Share in the other comprehensive income of associates and joint ventures	**1**	2
	260	282

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (millions of Canadian dollars)

	Six months ended April 30	
	2014	2013(1)
Cash flows from operating activities		
Net income	767	790
Adjustments for:		
Provisions for credit losses	102	85
Amortization of premises and equipment and intangible assets	79	73
Impairment losses on intangible assets	–	39
Deferred taxes	34	2
Translation adjustment on foreign currency subordinated debt	2	–
Losses (gains) on sales of available-for-sale securities, net	(43)	(59)
Impairment of available-for-sale securities	4	17
Stock option expense	7	8
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	(1,250)	(732)
Securities purchased under reverse repurchase agreements and securities borrowed	2,370	(4,477)
Loans, net of securitization	(3,562)	(2,110)
Investments in associates and joint ventures	10	(28)
Deposits	7,303	4,701
Obligations related to securities sold short	(3,948)	1,247
Obligations related to securities sold under repurchase agreements and securities loaned	1,240	(541)
Derivative financial instruments, net	(500)	(157)
Due from and to clients, dealers and brokers, net	(232)	798
Interest and dividends receivable and interest payable	(78)	57
Current tax assets and liabilities	(26)	(114)
Other items	(828)	(518)
	1,451	(919)
Cash flows from financing activities		
Issuance of preferred shares presented as liabilities	341	–
Issuance of preferred shares	–	200
Redemption of preferred shares for cancellation	(104)	(200)
Issuance of common shares	51	63
Redemption of subordinated debt	(526)	–
Share issuance expenses	–	(4)
Dividends paid on shares	(309)	(285)
Change in other items	(15)	2
	(562)	(224)
Cash flows from investing activities		
Acquisition of TD Waterhouse Institutional Services (Note 20)	722	–
Purchases of available-for-sale securities	(2,569)	(3,166)
Sales of available-for-sale securities	2,863	2,995
Net change in premises and equipment	(55)	(91)
Net change in intangible assets	(65)	(34)
	896	(296)
Impact of currency rate movements on cash and cash equivalents	204	(14)
Increase in cash and cash equivalents	1,989	(1,453)
Cash and cash equivalents at beginning	3,596	3,249
Cash and cash equivalents at end(2)	5,585	1,796
Supplementary information about cash flows from operating activities		
Interest paid	1,050	946
Interest and dividends received	2,308	2,145
Income taxes paid	94	284

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

(2) This item is the equivalent of Consolidated Balance Sheet item *Cash and deposits with financial institutions*. The Bank is required to maintain balances with central banks and other regulatory authorities. The total balances were $248 million as at April 30, 2014 ($194 million as at April 30, 2013). In addition, $7 million was held in escrow as at April 30, 2014 ($11 million as at April 30, 2013).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (millions of Canadian dollars)

NOTE 1 – BASIS OF PRESENTATION

On May 27, 2014, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the second quarter and first six months ended April 30, 2014. The common share information presented in these consolidated financial statements has been retrospectively adjusted to reflect the stock dividend of one common share on each issued and outstanding common share declared on December 3, 2013 and paid on February 13, 2014. The effect of this stock dividend was the same as a two-for-one split of common shares, as described in Note 13.

The Bank's consolidated financial statements have been prepared in accordance with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. None of the OSFI accounting requirements are exceptions to IFRS.

These consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* using the accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2013, except for the accounting policy changes described below in Note 2. Future accounting policy changes are also presented in Note 2. Since these consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2013.

The consolidated financial statements are presented in Canadian dollars, which is the Bank's functional and presentation currency.

NOTE 2 – ACCOUNTING POLICY CHANGES

Effective Date – November 1, 2013
As required by the IASB, on November 1, 2013, the Bank adopted the following new or amended accounting standards:

IAS 19 – *Employee Benefits*
In June 2011, the IASB issued an amended version of IAS 19, introducing significant changes to the accounting of employee benefits, primarily for defined benefit pension plans. The main changes to the revised standard are as follows:

- The expected return on plan assets is no longer used in calculating the pension plan expense. The discount rate used to measure the accrued benefit obligation must also be used to measure the return on plan assets.
- Past service costs are recognized when a plan is amended, with no deferral over the vesting period.
- Additional annual disclosure is to be provided regarding the characteristics of defined benefit plans and the risks to which entities are exposed by participating in those plans.
- The revised standard requires that all actuarial gains and losses be immediately recognized in *Other comprehensive income*. The recognition of actuarial gains and losses can no longer be deferred. This last amendment has no impact on the Bank since it already recognizes actuarial gains and losses in *Other comprehensive income*.

The requirements of the amended version of IAS 19 have been applied retrospectively. The impacts of adopting the amendments on the Consolidated Balance Sheet as at October 31, 2013 are presented below. There is no impact on the Consolidated Balance Sheet as at November 1, 2012.

	As at October 31, 2013
Consolidated Balance Sheet	
Increase in *Other assets*	15
Decrease in *Other liabilities*	6
Increase in *Retained earnings*	21

(unaudited) (millions of Canadian dollars)

NOTE 2 – ACCOUNTING POLICY CHANGES (cont.)

Retrospective adoption of the changes had the following impacts on the Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income for the second quarter and first six months ended April 30, 2013.

	Quarter ended April 30, 2013	Six months ended April 30, 2013
Consolidated Statements of Income and Comprehensive Income		
Increase in *Compensation and employee benefits*	(19)	(3) (1)
Decrease in *Income taxes*	5	1
Decrease in *Net income*	(14)	(2)
Increase in *Other comprehensive income – Actuarial gains and losses on employee benefit plans*	13	25
Increase (decrease) in *Comprehensive income*	(1)	23
Decrease in earnings per share *(dollars)*		
Basic	(0.04)	(0.01)
Diluted	(0.04)	(0.01)

(1) This amount includes a $35 million decrease in past service costs, less a $3 million reduction recorded under the previous IAS 19, resulting from changes that had been made to provisions in the Bank's pension plans and other post-retirement plans in the first quarter of 2013.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 – *Consolidated and Separate Financial Statements* and in interpretation SIC-12 – *Consolidation – Special Purpose Entities*, by establishing a single consolidation model based on control for all interests held in all types of entities (investees). According to IFRS 10, control is based on the concepts of decision-making authority regarding the investee's relevant activities, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect the amount of returns. An entity must consolidate the entities it controls and present consolidated financial statements.

The Bank retrospectively adopted IFRS 10, the impact of which is the deconsolidation of NBC Capital Trust (the Trust). Under IFRS 10, the Bank does not control the Trust because the Bank's interest does not expose it to variable returns. The Bank's earnings per share has not been affected. The impacts of the deconsolidation are as follows:

- A $225 million increase in *Deposits* on the Consolidated Balance Sheet as at October 31, 2013 and as at November 1, 2012, representing the Trust's deposit note;
- A $229 million decrease in *Non-controlling interests* on the Consolidated Balance Sheet as at October 31, 2013 and as at November 1, 2012, representing the trust units issued by the Trust;
- A $4 million increase in *Other liabilities* on the Consolidated Balance Sheet as at October 31, 2013 and as at November 1, 2012, representing accrued interest payable on the deposit note;
- Decreases in *Net income* and equivalent decreases in *Non-controlling interests* of $3 million and $6 million on the Consolidated Statement of Income for the second quarter and six-month period ended April 30, 2013, respectively.

IFRS 7 – *Financial Instruments: Disclosures*

The amendments to IFRS 7 require disclosure about legally enforceable rights of set-off for financial instruments under master netting agreements or similar arrangements. The Bank retrospectively adopted these amendments, which had no impact on its results or financial position since the standard only affects disclosures. The required IFRS 7 disclosure amendments will be presented in the audited annual consolidated financial statements as at October 31, 2014.

IFRS 11 – *Joint Arrangements*

IFRS 11 – *Joint Arrangements* replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Under IFRS 11, a joint arrangement is an arrangement in which two or more parties have joint control. Joint control means the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under IFRS 11, a joint arrangement must be classified as either a joint operation or a joint venture, depending on an assessment of the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement wherein joint operators have rights to the assets and obligations for the liabilities. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS standards applicable to the particular assets, liabilities, revenues and expenses. A joint venture is a joint arrangement wherein the joint venturers have rights to the net assets of the arrangement. A joint venturer accounts for its interest in a joint venture using the equity method.

The Bank retrospectively adopted IFRS 11 and concluded that the joint arrangements in which it has rights constitute joint ventures. Since these investments were already accounted for using the equity method under IAS 31, there was no impact on the Bank's consolidated financial statements.

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 applies to entities that hold interests in subsidiaries, joint arrangements, associates and non-consolidated structured entities. It requires additional disclosure that enables financial statement users to assess the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The Bank retrospectively adopted IFRS 12, and the required disclosures will be presented in the audited annual consolidated financial statements as at October 31, 2014. However, certain disclosures related to structured entities are presented in these consolidated financial statements.

IFRS 13 – *Fair Value Measurement*

IFRS 13 defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. Prospective adoption of this standard did not have a significant impact on the Bank's consolidated financial statements. The required quarterly disclosures are presented in these consolidated financial statements; the additional, annual disclosures required will be presented in the audited annual consolidated financial statements as at October 31, 2014.

Effective Date – November 1, 2014

IAS 32 – *Financial Instruments: Presentation*

IAS 32 was amended to clarify the requirements for offsetting financial assets and financial liabilities in order to reduce inconsistencies in current practice. The Bank is currently assessing the impact these amendments will have on the consolidated financial statements.

IFRIC Interpretation 21 – *Levies*

IFRIC Interpretation 21 (IFRIC 21) provides guidance on when to recognize a liability to pay a levy imposed by a government that is accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is to be applied retrospectively and the Bank is currently assessing the impact of adopting this interpretation.

Effective Date – Not yet specified

IFRS 9 – *Financial Instruments*

The purpose of IFRS 9 is to replace the current standard on financial instruments and constitutes a three-phase project: (1) Classification and measurement of financial assets and financial liabilities; (2) Impairment; and (3) Hedge accounting. In July 2013, the IASB decided to temporarily defer the mandatory effective date of IFRS 9 and to not specify that date until the requirements for financial instrument classification and measurement and financial asset impairment are finalized. The Bank is monitoring the progress of the IASB's work.

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value and Carrying Value of Financial Instruments by Category

Financial assets and financial liabilities are recognized on the Consolidated Balance Sheet at fair value or at amortized cost in accordance with the categories set out in the accounting framework for financial instruments. The Bank did not classify any financial assets as held to maturity.

							As at April 30, 2014
	Carrying value and fair value			Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Available-for-sale	Loans and receivables and financial liabilities at amortized cost	Loans and receivables and financial liabilities at amortized cost	Total carrying value	Total fair value
FINANCIAL ASSETS							
Cash and deposits with financial institutions	–	–	–	5,585	5,585	5,585	5,585
Securities	42,286	2,964	9,397	–	–	54,647	54,647
Securities purchased under reverse repurchase agreements and securities borrowed	–	209	–	18,870	18,870	19,079	19,079
Loans and acceptances	2,187	42	–	99,326	99,873	101,555	102,102
Other							
Derivative financial instruments	6,324	–	–	–	–	6,324	6,324
Due from clients, dealers and brokers	–	–	–	1,120	1,120	1,120	1,120
Other assets	–	–	–	1,298	1,298	1,298	1,298
FINANCIAL LIABILITIES							
Deposits	–	2,097		108,697 (1)	109,225	110,794	111,322
Other							
Acceptances	–	–		9,093	9,093	9,093	9,093
Obligations related to securities sold short	14,961	–		–	–	14,961	14,961
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		20,986	20,986	20,986	20,986
Derivative financial instruments	4,779	–		–	–	4,779	4,779
Due to clients, dealers and brokers	–	–		1,892	1,892	1,892	1,892
Liabilities related to transferred receivables	–	6,311		9,560	9,658	15,871	15,969
Other liabilities	113	–		2,359	2,359	2,472	2,472
Subordinated debt	–	–		1,892	1,921	1,892	1,921
Preferred share liabilities	–	–		341	359	341	359

(1) Including embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

As at October 31, 2013[1]

	Carrying value and fair value			Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Available-for-sale	Loans and receivables and financial liabilities at amortized cost	Loans and receivables and financial liabilities at amortized cost	Total carrying value	Total fair value
FINANCIAL ASSETS							
Cash and deposits with financial institutions	–	–	–	3,596	3,596	3,596	3,596
Securities	40,778	3,222	9,744	–	–	53,744	53,744
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	21,449	21,449	21,449	21,449
Loans and acceptances	1,526	62	–	95,750	96,323	97,338	97,911
Other							
Derivative financial instruments	5,904	–	–	–	–	5,904	5,904
Due from clients, dealers and brokers	–	–	–	1,101	1,101	1,101	1,101
Other assets	–	–	–	891	891	891	891
FINANCIAL LIABILITIES							
Deposits	–	1,846		100,265 [2]	100,639	102,111	102,485
Other							
Acceptances	–	–		8,954	8,954	8,954	8,954
Obligations related to securities sold short	18,909	–		–	–	18,909	18,909
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		19,746	19,746	19,746	19,746
Derivative financial instruments	4,858	–		–	–	4,858	4,858
Due to clients, dealers and brokers	–	–		2,442	2,442	2,442	2,442
Liabilities related to transferred receivables	–	6,819		8,504	8,593	15,323	15,412
Other liabilities	109	–		2,345	2,345	2,454	2,454
Subordinated debt	–	–		2,426	2,450	2,426	2,450

(1) Certain amounts have been adjusted to reflect accounting changes. See Note 2.
(2) Including embedded derivative financial instruments.

Establishing Fair Value

Fair value is established in accordance with a rigorous control framework. The fair value of existing and new products is determined and validated by functions independent of the risk-taking team. Fair value matters are reviewed by valuation committees made up of experts from various support functions.

For financial instruments classified in Level 3 of the fair value hierarchy, the Bank has documented the policies and controls in place to ensure that fair value is measured appropriately, reliably and consistently. Valuation methods and assumptions are reviewed on a regular basis.

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Hierarchy of Fair Value Measurements

Financial instruments recorded at fair value on the Consolidated Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. For additional information, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2013. During the six-month periods ended April 30, 2014 and 2013, there were no significant transfers of financial instruments between Levels 1 and 2.

	As at April 30, 2014			
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canada	4,300	6,154	–	10,454
Provinces	–	9,353	–	9,353
Municipalities and school boards	–	452	–	452
U.S. Treasury, other U.S. agencies and other foreign governments	998	–	–	998
Other debt securities	–	3,214	1,221	4,435
Equity securities	18,087	1,437	34	19,558
	23,385	20,610	1,255	45,250
Available-for-sale				
Securities issued or guaranteed by				
Canada	272	4,488	–	4,760
Provinces	–	2,786	–	2,786
Municipalities and school boards	–	305	–	305
U.S. Treasury, other U.S. agencies and other foreign governments	476	–	–	476
Other debt securities	–	388	90	478
Equity securities	246	207	139	592
	994	8,174	229	9,397
Securities purchased under reverse repurchase agreements and securities borrowed	–	209	–	209
Loans and acceptances	–	2,229	–	2,229
Other				
Derivative financial instruments	108	6,167	49	6,324
	24,487	37,389	1,533	63,409
Financial liabilities				
Deposits	–	2,263	60	2,323
Other				
Obligations related to securities sold short	8,606	6,355	–	14,961
Derivative financial instruments	496	4,209	74	4,779
Liabilities related to transferred receivables	–	6,311	–	6,311
Other liabilities	–	113	–	113
	9,102	19,251	134	28,487

(unaudited) (millions of Canadian dollars)

				As at October 31, 2013
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canada	5,476	5,080	–	10,556
Provinces	–	10,654	–	10,654
Municipalities and school boards	–	367	–	367
U.S. Treasury, other U.S. agencies and other foreign governments	689	–	–	689
Other debt securities	–	2,784	1,305	4,089
Equity securities	15,929	1,670	46	17,645
	22,094	20,555	1,351	44,000
Available-for-sale				
Securities issued or guaranteed by				
Canada	143	5,517	–	5,660
Provinces	–	2,617	–	2,617
Municipalities and school boards	–	302	–	302
U.S. Treasury, other U.S. agencies and other foreign governments	390	–	–	390
Other debt securities	–	253	77	330
Equity securities	209	65	171	445
	742	8,754	248	9,744
Loans and acceptances	–	1,588	–	1,588
Other				
Derivative financial instruments	239	5,609	56	5,904
	23,075	36,506	1,655	61,236
Financial liabilities				
Deposits	–	1,978	73	2,051
Other				
Obligations related to securities sold short	11,415	7,494	–	18,909
Derivative financial instruments	330	4,454	74	4,858
Liabilities related to transferred receivables	–	6,819	–	6,819
Other liabilities	–	109	–	109
	11,745	20,854	147	32,746

(unaudited) (millions of Canadian dollars)

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)

Financial Instruments Classified in Level 3

The Bank classifies financial instruments in Level 3 when the valuation technique is based on at least one significant input that is not observable in the markets or when there is a lack of liquidity in certain markets. The valuation technique may also be based, in part, on observable market inputs. The following table shows the significant unobservable inputs used for the fair value measurements of financial instruments classified in Level 3 of the hierarchy.

				As at April 30, 2014
	Fair value	Primary valuation techniques	Significant unobservable inputs	Range of input values
Financial assets				
Securities				
Restructured notes of the master asset vehicle			Liquidity premium(2)(3)	1.50% to 6.70%
(MAV) conduits and other restructured notes	1,285	Internal model(1)	Credit spread(2)(3)	27 Bps to 500 Bps(4)
Equity securities and other debt securities	199	Various(5)	Various(5)	Various(5)
Other			Long-term volatility(6)(7)	9% to 38%
Derivative financial instruments	49	Option pricing model	Long-term correlation(6)(7)	(27)% to 83%
	1,533			
Financial liabilities				
Deposits			Long-term volatility(6)(7)	13% to 24%
Structured deposit notes	60	Option pricing model	Long-term correlation(6)(7)	(4)% to 78%
Other			Long-term volatility(6)(7)	12% to 38%
Derivative financial instruments	74	Option pricing model	Long-term correlation(6)(7)	(27)% to 83%
	134			

(1) For a description of the valuation techniques, see Note 6 to the audited annual consolidated financial statements for the year ended October 31, 2013.
(2) There is no predictable correlation between the liquidity premium and the credit spread.
(3) An increase (decrease) in this unobservable input generally results in a decrease (increase) in fair value.
(4) Bps or basis point is a unit of measure equal to 0.01%.
(5) In the absence of an active market, the fair value of these securities is estimated based on an analysis of the investee's financial position and results, risk profile, economic outlook and other factors. Given the nature of the analysis in respect of each investment, it is not practical to quote a range of values for significant unobservable inputs.
(6) An increase (decrease) in long-term volatility is generally associated with an increase (decrease) in long-term correlation.
(7) An increase (decrease) in this unobservable input generally results in an increase (decrease) in fair value.

The Bank performs sensitivity analyses for fair value measurements of financial instruments classified in Level 3, substituting the unobservable inputs with one or more reasonably plausible alternative assumptions. For the sensitivity analysis of investments in restructured notes of the MAV conduits, see Note 5. For private equity securities classified in *Available-for-sale securities,* the Bank varies significant unobservable market inputs, such as net asset value or projected future cash flows, and establishes a reasonable fair value range that could result in a $16 million increase or decrease in the fair value recorded as at April 30, 2014 (a $17 million increase or decrease as at October 31, 2013). For other financial instruments classified in Level 3, sensitivity analyses result in a negligible change in fair value.

(unaudited) (millions of Canadian dollars)

Change in the Fair Value of Financial Instruments Classified in Level 3

The Bank may hedge the fair value of financial instruments classified in the various levels through inverse hedge positions. Gains and losses for financial instruments classified in Level 3 presented in the following tables do not reflect the inverse gains and losses on financial instruments used for economic hedging purposes that may have been classified in Level 1 or 2 by the Bank. In addition, the Bank may hedge the fair value of financial instruments classified in Level 3 using other financial instruments classified in Level 3. The effect of these hedges is not included in the net amount presented in the following tables. The gains and losses presented hereafter may therefore comprise changes in fair value based on observable and unobservable inputs.

	Six months ended April 30, 2014				
	Securities at fair value through profit or loss	**Available-for-sale securities**	**Loans**	**Derivative financial instruments (1)**	**Deposits**
Fair value as at October 31, 2013	**1,351**	**248**	**–**	**(18)**	**(73)**
Total realized and unrealized gains (losses) included in *Net income* (2)	**53**	**1**	**–**	**–**	**(3)**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**8**	**–**	**–**	**–**
Purchases	**8**	**14**	**–**	**–**	**–**
Sales	**(145)**	**(39)**	**–**	**–**	**–**
Issuances	**–**	**–**	**–**	**–**	**1**
Settlements and other	**(12)**	**(3)**	**–**	**–**	**–**
Transfers into Level 3(3)	**–**	**–**	**–**	**(9)**	**(9)**
Transfers out of Level 3(3)	**–**	**–**	**–**	**2**	**24**
Fair value as at April 30, 2014	**1,255**	**229**	**–**	**(25)**	**(60)**
Change in unrealized gains and losses included in net income with respect to financial assets and liabilities held as at April 30, 2014(4)	**51**	**–**	**–**	**–**	**(3)**

	Six months ended April 30, 2013				
	Securities at fair value through profit or loss	Available-for-sale securities	Loans	Derivative financial instruments (1)	Deposits
Fair value as at October 31, 2012	1,326	270	(3)	(36)	(73)
Total realized and unrealized gains (losses) included in *Net income* (5)	171	8	–	(19)	1
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	2	–	–	–
Purchases	36	3	–	–	–
Sales	(31)	(35)	–	–	–
Issuances	–	–	–	(7)	–
Settlements and other	(108)	(8)	3	–	(30)
Transfers into Level 3(3)	–	–	–	–	(1)
Transfers out of Level 3(3)	–	–	–	2	37
Fair value as at April 30, 2013	1,394	240	–	(60)	(66)
Change in unrealized gains and losses included in net income with respect to financial assets and liabilities held as at April 30, 2013(6)	171	–	–	(19)	1

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total net gains included in *Non-interest income* was $51 million.
(3) During the six-month periods ended April 30, 2014 and 2013, certain financial instruments were transferred into and out of Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.
(4) Total unrealized gains included in *Non-interest income* was $49 million.
(5) Total net gains included in *Non-interest income* was $161 million.
(6) Total unrealized gains included in *Non-interest income* was $153 million.

(unaudited) (millions of Canadian dollars)

NOTE 4 – FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Bank chose to designate certain financial instruments at fair value through profit or loss according to criteria presented in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2013. In accordance with its risk management strategy, which allows the Bank to eliminate or significantly reduce measurement or recognition disparity resulting from measuring financial assets and liabilities on different bases, the Bank designated certain debt securities, certain securities purchased under reverse repurchase agreements, and certain liabilities related to transferred receivables at fair value through profit or loss. The fair value of liabilities related to transferred receivables does not include credit risk, as the holders of these liabilities are not exposed to the Bank's credit risk.

The Bank also designated certain hybrid financial instruments with one or more embedded derivatives, such as restructured notes of the MAV conduits, certain deposits, and certain loans at fair value through profit or loss. There is no exposure to credit risk on the loans to the extent that they are fully collateralized.

Information about the financial assets and financial liabilities designated at fair value through profit or loss is provided in the following tables:

	Carrying value as at April 30, 2014	Change in the total fair value (including the change in the fair value attributable to credit risk) for the quarter ended April 30, 2014	Change in the total fair value (including the change in the fair value attributable to credit risk) for the six months ended April 30, 2014	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	2,964	8	79	403
Securities purchased under reverse repurchase agreements	209	–	–	–
Loans	42	4	2	3
	3,215	12	81	406
Financial liabilities designated at fair value through profit or loss				
Deposits(1)	2,097	(77)	(60)	(180)
Liabilities related to transferred receivables	6,311	24	17	(185)
	8,408	(53)	(43)	(365)

	Carrying value as at April 30, 2013	Change in the total fair value (including the change in the fair value attributable to credit risk) for the quarter ended April 30, 2013	Change in the total fair value (including the change in the fair value attributable to credit risk) for the six months ended April 30, 2013	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	3,932	161	97	395
Loans	52	2	3	4
	3,984	163	100	399
Financial liabilities designated at fair value through profit or loss				
Deposits(1)	1,388	1	(42)	(96)
Liabilities related to transferred receivables	7,976	(39)	20	(307)
	9,364	(38)	(22)	(403)

(1) For the quarter ended April 30, 2014, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk was an $8 million loss ($2 million gain for the quarter ended April 30, 2013). For the six months ended April, 30, 2014, this change was a $7 million loss ($1 million gain for the six months ended April 30, 2013).

(unaudited) (millions of Canadian dollars)

NOTE 5 – SECURITIES

Available-for-Sale Securities

				As at April 30, 2014
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canada	4,727	37	(4)	4,760
Provinces	2,633	160	(7)	2,786
Municipalities and school boards	286	19	–	305
U.S. Treasury, other U.S. agencies and other foreign governments	476	–	–	476
Other debt securities	429	50	(1)	478
Equity securities	519	77	(4)	592
	9,070	343	(16)	9,397

				As at October 31, 2013
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canada	5,646	30	(16)	5,660
Provinces	2,480	159	(22)	2,617
Municipalities and school boards	286	17	(1)	302
U.S. Treasury, other U.S. agencies and other foreign governments	387	3	–	390
Other debt securities	292	40	(2)	330
Equity securities	391	58	(4)	445
	9,482	307	(45)	9,744

Impairment Losses Recognized

At the end of each financial reporting period, the Bank determines whether there is objective evidence of impairment for each available-for-sale security. During the quarter ended April 30, 2014, $3 million in impairment losses ($14 million for the quarter ended April 30, 2013) was recognized in *Gains (losses) on available-for-sale securities, net* in the Consolidated Statement of Income. For the six months ended April 30, 2014, $4 million in impairment losses ($17 million for the six months ended April 30, 2013) was recognized. In addition, during the six months ended April 30, 2014 and 2013, no amount was reversed in the Consolidated Statement of Income to recognize subsequent increases in the fair value of previously impaired debt securities.

Unrealized Gross Losses

As at April 30, 2014 and as at October 31, 2013, the Bank concluded that the unrealized losses on available-for-sale securities were mainly due to market price fluctuations and to changes in foreign exchange rates and that there is no objective evidence of impairment requiring an impairment loss to be recognized in the Consolidated Statement of Income.

Master Asset Vehicles

As at April 30, 2014, the face value of the restructured notes of the MAV conduits and of the other restructured notes held by the Bank was $1,709 million ($1,727 million as at October 31, 2013), of which $1,356 million was designated as *Securities at fair value through profit or loss* under the fair value option, and an amount of $353 million was classified in *Available-for-sale securities* ($1,506 million designated as *Securities at fair value through profit or loss* and $221 million classified in *Available-for-sale securities* as at October 31, 2013). The change in the face value of the restructured notes of the MAV conduits during the first six months of fiscal 2014 was mainly due to capital repayments and disposals. During the quarter ended April 30, 2014, the Bank participated in an optional redemption unwind process for restructured notes of the MAV II conduits and disposed of certain notes, classified in *Securities at fair value through profit or loss*, for a face value of $137 million. In return, the Bank received liquidation trust units and classified these units in *Available-for-sale securities.*

The Bank has committed to contribute $844 million ($886 million as at October 31, 2013) to a margin funding facility related to the MAV conduits in order to finance potential collateral calls. As at April 30, 2014 and as at October 31, 2013, no amount had been advanced by the Bank.

NOTE 5 – SECURITIES (cont.)

Establishing Fair Value

The carrying value of the restructured notes of the MAV conduits and of the other restructured notes held by the Bank in an investment portfolio as at April 30, 2014, designated as *Securities at fair value through profit or loss*, was $1,214 million, and $199 million was classified in *Available-for-sale securities* ($1,293 million designated as *Securities at fair value through profit or loss* and $68 million classified in *Available-for-sale securities* as at October 31, 2013). The notes held in an investment portfolio with one or more embedded derivatives were designated as *Securities at fair value through profit and loss* under the fair value option, and the other notes were classified in *Available-for-sale securities*.

In establishing the fair value of the restructured notes of the MAV conduits and ineligible assets, the Bank applied the same methodologies used as at October 31, 2013 and adjusted its assumption on the liquidity of the MAV I notes to reflect market conditions. For additional information, see Note 6 to the audited annual consolidated financial statements for the year ended October 31, 2013. During the quarter ended April 30, 2014, a negligible amount of revenue was recognized in *Trading revenues* in the Consolidated Statement of Income to reflect a rise in the fair value of the restructured notes ($139 million for the quarter ended April 30, 2013). For the six months ended April 30, 2014, the rise in the fair value of the restructured notes amounted to $45 million ($151 million for the six-month period ended April 30, 2013).The carrying value of the restructured notes, designated as *Securities at fair value through profit or loss* was within estimated fair value ranges as at April 30, 2014. The credit ratings of the restructured notes of the MAV conduits have not changed from October 31, 2013.

The Bank's valuation was based on its assessment of the conditions prevailing as at April 30, 2014, which may change in the future. The most significant assumptions used to determine the fair value of the restructured notes are observable discount rates, the credit ratings of the notes and the broker quotes on the MAV II Class A-1, A-2, B and C notes. Furthermore, there may be valuation uncertainty resulting from the choice of valuation model used. The sensitivities of these assumptions on fair value as at April 30, 2014 were as follows:

- a 10-basis-point change in the discount rate would result in a $6 million decrease or increase in the fair value;
- a decrease in the credit rating by one letter grade would result in a decrease in the fair value between a range of $5 million to $10 million;
- an increase in the credit rating by one letter grade would result in an increase in the fair value between a range of $3 million to $4 million;
- a 100-basis-point change in the liquidity premium spread would result in a $12 million decrease or increase in the fair value;
- a 10% change in the weighting used to determine the discount rate would result in a $2 million decrease or increase in the fair value;
- a 10% change in the weighting attributed to the discount rate and the broker quotes on the MAV II Class A-1, A-2, B and C notes would result in a $4 million decrease or increase in the fair value; and
- a 1% change in the broker quotes on the MAV II Class A-1, A-2, B and C notes would result in a $4 million decrease or increase in the fair value.

Determining the fair value of restructured notes of the MAV conduits is complex and involves an extensive process that includes the use of quantitative modelling and relevant assumptions. Possible changes that could have a significant impact on the future value include (1) changes in the value of the underlying assets, (2) changes regarding the liquidity of the restructured notes of the MAV conduits which are not currently traded on an active market, (3) the impacts of a marked and prolonged economic slowdown in North America and certain European countries, and (4) changes in legislation.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS

Credit Quality of Loans

				As at April 30, 2014
	Residential mortgage	Personal and credit card	Business and government [1]	Total
Neither past due[2] nor impaired	37,327	28,742	25,928	91,997
Past due[2] but not impaired	281	252	107	640
Impaired	56	72	289	417
Gross loans	37,664	29,066	26,324	93,054
Less: Allowances on impaired loans				
Individual allowances	8	14	181	203
Collective allowances	–	21	2	23
Allowances on impaired loans	8	35	183	226
	37,656	29,031	26,141	92,828
Less: Collective allowance on non-impaired loans[3]				366
Loans, net of allowances				92,462

				As at October 31, 2013
	Residential mortgage	Personal and credit card	Business and government [1]	Total
Neither past due[2] nor impaired	36,213	27,674	24,022	87,909
Past due[2] but not impaired	314	245	99	658
Impaired	46	70	279	395
Gross loans	36,573	27,989	24,400	88,962
Less: Allowances on impaired loans				
Individual allowances	7	13	170	190
Collective allowances	–	20	2	22
Allowances on impaired loans	7	33	172	212
	36,566	27,956	24,228	88,750
Less: Collective allowance on non-impaired loans[3]				366
Loans, net of allowances				88,384

(1) Business credit portfolios are closely monitored and a monthly watchlist of problem commitments is produced. The watchlist is analyzed by the loan portfolio managers concerned, who then submit a report to Credit Risk Management.
(2) A loan is past due when the counterparty has not made a payment the day of the contractual expiry date.
(3) The collective allowance on non-impaired loans for credit risk was created taking into account the Bank's overall credit portfolio.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS (cont.)

Loans Past Due But Not Impaired

	As at April 30, 2014			As at October 31, 2013		
	Residential mortgage	Personal and credit card	Business and government[1]	Residential mortgage	Personal and credit card	Business and government[1]
Past due but not impaired						
1 month late	142	88	40	168	89	24
2 months late	58	35	26	52	50	14
3 months late and more[2]	81	129	41	94	106	61
	281	252	107	314	245	99

(1) As at April 30, 2014, the fair value of financial collateral held against loans that were past due but not impaired was $23 million ($7 million as at October 31, 2013).
(2) Comprises fully secured loans for which, in the opinion of management, there is reasonable assurance that principal and interest will ultimately be collected. Credit card receivables are included in this category because they are written off only when payment is 180 days in arrears.

Impaired Loans

	As at April 30, 2014			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	56	8	–	48
Personal and credit card	72	14	21	37
Business and government	289	181	2	106
	417	203	23	191

	As at October 31, 2013			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	46	7	–	39
Personal and credit card	70	13	20	37
Business and government	279	170	2	107
	395	190	22	183

(unaudited) (millions of Canadian dollars)

Allowances for Credit Losses

									Six months ended April 30, 2014
	Residential mortgage		Personal and credit card		Business and government		Total		Total
	Individual allowances	Collective allowances	Individual allowances	Collective allowances	Individual allowances	Collective allowances	Individual allowances	Collective allowances	
Allowances on impaired loans									
Balance at beginning	7	–	13	20	170	2	190	22	212
Provisions for credit losses	4	–	59	19	18	2	81	21	102
Write-offs	(4)	–	(18)	(19)	(11)	(2)	(33)	(21)	(54)
Write-offs on credit cards	–	–	(41)	–	–	–	(41)	–	(41)
Recoveries	1	–	1	1	4	–	6	1	7
Balance at end	8	–	14	21	181	2	203	23	226
Collective allowance on non-impaired loans(1)									366
Total allowances									592

									Six months ended April 30, 2013
	Residential mortgage		Personal and credit card		Business and government		Total		Total
	Individual allowances	Collective allowances	Individual allowances	Collective allowances	Individual allowances	Collective allowances	Individual allowances	Collective allowances	
Allowances on impaired loans									
Balance at beginning	7	–	7	18	173	3	187	21	208
Provisions for credit losses	3	–	63	9	9	1	75	10	85
Write-offs	(2)	–	(22)	(9)	(23)	(1)	(47)	(10)	(57)
Write-offs on credit cards	–	–	(40)	–	–	–	(40)	–	(40)
Recoveries	–	–	2	1	1	–	3	1	4
Balance at end	8	–	10	19	160	3	178	22	200
Collective allowance on non-impaired loans(1)									
Balance at beginning									369
Write-offs									(3)
Balance at end									366
Total allowances									566

(1) The collective allowance on non-impaired loans was established taking into account the Bank's overall credit portfolio, except for a $3 million amount as at October 31, 2012 for loans and credit facilities secured by restructured notes of the MAV conduits.

(unaudited) (millions of Canadian dollars)

NOTE 7 – FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

In the normal course of its business, the Bank enters into transactions in which it transfers financial assets such as securities or loans directly to third parties, in particular structured entities. In some of those transactions, the Bank retains substantially all of the risks and rewards related to those financial assets. The risks include credit risk, interest rate risk, foreign exchange risk, prepayment risk and other price risks, whereas the rewards include income streams associated with the financial assets. As such, those financial assets are not derecognized and the transactions are treated as collateralized or secured borrowings. The nature of those transactions is described below.

The following table provides additional information about the nature of the transferred financial assets that do not qualify for derecognition and the associated liabilities.

	As at April 30, 2014	As at October 31, 2013
Carrying value of financial assets transferred but not derecognized		
Securities(1)	37,274	33,677
Residential mortgages	15,047	14,280
	52,321	47,957
Carrying value of associated liabilities(2)	31,100	28,543
Fair value of financial assets transferred but not derecognized		
Securities(1)	37,274	33,677
Residential mortgages	15,322	14,464
	52,596	48,141
Fair value of associated liabilities	31,198	28,632

(1) The amount related to the securities loaned represents the maximum amount of the Bank's securities that can be lent. For obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties.
(2) Associated liabilities include obligations related to securities sold under repurchase agreements before the offsetting impact of $2,897 million as at April 30, 2014 ($1,029 million as at October 31, 2013) and liabilities related to transferred receivables. Liabilities related to securities loaned are not included, as the Bank can lend its own financial assets and those of third parties. The carrying value and fair value of liabilities related to securities loaned were $8,654 million as at April 30, 2014 ($7,555 million as at October 31, 2013).

The following table specifies the nature of the transactions related to financial assets transferred but not derecognized.

	As at April 30, 2014	As at October 31, 2013
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to CHT	15,795	14,903
Securities sold under repurchase agreements	15,327	13,297
Securities loaned	21,154	19,674
Residential mortgages transferred to a mutual fund	45	83
	52,321	47,957

(unaudited) (millions of Canadian dollars)

NOTE 8 – OTHER ASSETS

	As at April 30, 2014	As at October 31, 2013 (1)
Receivables, prepaid expenses and other items	699	612
Interest and dividends receivable	461	425
Purchased receivables	837	466
Accrued benefit asset	213	131
Deferred tax assets	255	289
Current tax assets	139	88
Reinsurance assets	26	26
	2,630	2,037

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

NOTE 9 – DEPOSITS

	As at April 30, 2014			As at October 31, 2013 (1)
	On demand or after notice	Fixed date	Total	Total
Personal	24,702	20,912	45,614	42,652
Business and government	29,548	30,205	59,753	57,103
Deposit-taking institutions	784	4,643	5,427	2,356
	55,034	55,760	110,794	102,111

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

The *Deposits – Business and government* item includes the deposit from NBC Capital Trust and the covered bonds, as described below.

Deposit from NBC Capital Trust

On June 15, 2006, NBC Capital Trust (the Trust), an open-end trust established under the laws of the Province of Ontario, issued 225,000 transferable non-voting trust units called Trust Capital Securities – Series 1 or NBC CapS – Series 1. The gross proceeds of $225 million from the offering were used by the Trust to acquire a deposit note from the Bank.

The Bank does not control the Trust and therefore does not consolidate it. See Note 21 for additional information. Consequently, the NBC CapS – Series 1 issued by the Trust are not included on the Bank's Consolidated Balance Sheet, but the deposit note is presented under *Deposits – Business and government*.

The main terms and characteristics of the $225 million deposit note are as follows:

Issuance date	Fixed annual interest rate	Interest payment dates	Semi-annual payment (1)	Maturity	Date of conversion at the option of the Trust (2)
June 15, 2006	5.329 %(3)	June 30, December 31	$26.645	June 30, 2056	Anytime

(1) Per $1,000 principal amount.
(2) Each $1,000 principal amount of the deposit note is convertible at the option of the Trust into 40 Series 17 First Preferred Shares of the Bank. The Trust will exercise this conversion right in circumstances in which holders of NBC CapS – Series 1 exercise their exchange right.
(3) The rate of 5.329% will be in effect up to and including June 30, 2016. After that date, the note will bear interest at a fixed annual rate equal to the 180-day bankers' acceptance rate in effect plus 1.50%.

Redemption at the Option of the Bank

Since June 30, 2011, and on any subsequent distribution date, the Bank may, at its option, redeem the deposit note, in whole or in part, upon the occurrence of predetermined events of a regulatory or fiscal nature. Any redemption may be carried out without the consent of the Trust, subject to prior written notice and OSFI approval. If the Bank redeems the deposit note in whole or in part, the Trust will be required to redeem a corresponding amount of NBC CapS – Series 1.

(unaudited) (millions of Canadian dollars)

NOTE 9 – DEPOSITS (cont.)

Purchase for Cancellation
Since June 30, 2011, the Bank may, with OSFI approval, purchase the deposit note in whole or in part on the open market or by tender or private contract at any price. Any part of the deposit note purchased by the Bank will be cancelled and will not be reissued.

Instances of Default
Failure by the Bank to make payments or to satisfy its other obligations under the deposit note will not entitle the Trust to accelerate payment of the deposit note.

Covered Bonds
NBC Covered Bond Guarantor (Legislative) Limited Partnership
During the quarter ended April 30, 2014, the Bank issued covered bonds under a new legislative covered bond program for an amount of 1.0 billion euros; for the six months ended April 30, 2014, this amount totalled 2.0 billion euros. The Bank created a structured entity, NBC Covered Bond Guarantor (Legislative) Limited Partnership, to guarantee the payment of principal and interest due to bondholders. See Note 21 for additional information. The covered bonds, totalling $3.0 billion as at April 30, 2014, are presented in the *Deposits – Business and government* item on the Bank's Consolidated Balance Sheet.

The Bank has limited access to the assets owned by this structured entity according to the terms of the agreements that apply to this transaction. The assets owned by this entity totalled $4.7 billion as at April 30, 2014, of which $4.7 billion is presented in the *Residential mortgage* item on the Bank's Consolidated Balance Sheet. The assets pledged as collateral for this program amounted to $4.7 billion as at April 30, 2014.

NBC Covered Bond Guarantor Limited Partnership
Covered bonds issued under the structured covered bond program, established in 2011, totalled $2.2 billion as at April 30, 2014 ($3.1 billion as at October 31, 2013) and are presented in the *Deposits – Business and government* item on the Bank's Consolidated Balance Sheet. On January 30, 2014, an amount of US$1.0 billion matured.

The Bank has limited access to the assets owned by NBC Covered Bond Guarantor Limited Partnership, the structured entity created to guarantee the payments of principal and interest due to the bondholders. See Note 21 for additional information. The assets owned by this entity totalled $3.0 billion as at April 30, 2014 ($3.9 billion as at October 31, 2013), of which $2.9 billion ($3.5 billion as at October 31, 2013) is presented in the *Residential mortgage* item on the Bank's Consolidated Balance Sheet. The assets pledged as collateral for this program amounted to $2.9 billion as at April 30, 2014 ($3.5 billion as at October 31, 2013).

NOTE 10 – OTHER LIABILITIES

	As at April 30, 2014	As at October 31, 2013(1)
Accounts payable and accrued expenses	**981**	1,236
Subsidiaries' debts to third parties	**1,454**	1,457
Interest and dividends payable	**754**	785
Accrued benefit liability	**214**	202
Deferred tax liabilities	**132**	119
Current tax liabilities	**95**	70
Insurance liabilities	**74**	73
Other items(2)	**603**	555
	4,307	4,497

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.
(2) As at April 30, 2014, the *Other items* item included an $11 million provision ($26 million as at October 31, 2013) for severance pay related to the optimization of certain organizational structures.

NOTE 11 – SUBORDINATED DEBT

On November 15, 2013, the Bank redeemed at nominal value for cancellation $500 million in notes maturing in November 2018. In addition, on December 13, 2013, the Bank redeemed for cancellation debentures with a nominal value of US$25 million maturing in February 2087 and recognized an $8 million gain in *Non-interest income* in the Consolidated Statement of Income.

(unaudited) (millions of Canadian dollars)

NOTE 12 – HEDGING ACTIVITIES

Derivative and Non-Derivative Financial Instruments Designated as Hedging Instruments

	As at April 30, 2014			As at October 31, 2013		
	Fair value hedge	Cash flow hedge	Net investment hedge	Fair value hedge	Cash flow hedge	Net investment hedge
Assets						
Derivative financial instruments	396	189	1	390	82	2
Liabilities						
Derivative financial instruments	172	126	7	188	33	–
Carrying value of non-derivative financial instruments	–	–	1,295	–	–	1,192
Notional amounts of designated derivative financial instruments	20,167	19,415	679	20,830	3,956	190

Results of the Hedges of Net Investments in Foreign Operations

For the six-month periods ended April 30, 2014 and 2013, a negligible amount representing the ineffective portion was recognized in *Non-interest income* in the Consolidated Statement of Income.

Results of the Fair Value Hedges

	Quarter ended April 30		Six months ended April 30	
	2014	2013	2014	2013
Gains (losses) on hedging instruments	(18)	74	45	14
Gains (losses) on hedged items attributable to the hedged risk	18	(73)	(46)	(11)
Ineffectiveness of fair value hedging relationships	–	1	1	–

Results of the Cash Flow Hedges

	Quarter ended April 30		Six months ended April 30	
	2014	2013	2014	2013
Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument	19	9	9	(1)
Losses (gains) reclassified to *Net interest income* in the Consolidated Statement of Income	(4)	(11)	(8)	(25)
Ineffectiveness of cash flow hedging relationships	–	(1)	–	(1)

The following table shows the periods during which the Bank expects the hedged cash flows to occur and have an impact on net income.

	As at April 30, 2014			
	1 year or less	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years
Expected cash flows from hedged assets	67	70	284	110
Expected cash flows from hedged liabilities	89	79	180	45
Net exposure	(22)	(9)	104	65

NOTE 13 – SHARE CAPITAL

Stock Dividend

On December 3, 2013, the Board declared a stock dividend of one common share on each issued and outstanding common share, paid on February 13, 2014 to common shareholders of record on February 6, 2014. The effect was the same as a two-for-one split of common shares. All common share information has been adjusted retrospectively to reflect the stock dividend.

Preferred Share Liabilities

On February 7, 2014, the Bank issued 14,000,000 Non-Cumulative 5-Year Rate-Reset Series 30 First Preferred Shares at a per-share price of $25.00 for gross proceeds of $350 million. These shares are redeemable in cash at the Bank's option, subject to the provisions of the *Bank Act* (Canada) and to OSFI approval, on May 15, 2019 and on May 15 every five years thereafter, in whole or in part, at a price equal to $25.00 per share, plus all dividends declared and unpaid thereon on the date fixed for redemption; the shares are convertible at the option of the holder into floating-rate (equal to the three-month Government of Canada Treasury Bills yield plus 2.40%) non-cumulative Series 31 First Preferred Shares, subject to certain conditions, on May 15, 2019 and on May 15 every five years thereafter. The Series 30 preferred shares carry a non-cumulative quarterly dividend of $0.2563 for the initial period ending May 15, 2019. Thereafter, these shares carry a non-cumulative quarterly fixed dividend in an amount per share determined by multiplying the interest rate, equal to the sum of the 5-year Government of Canada bond-yield on the calculation date of the applicable fixed rate plus 2.40%, by $25.00.

Upon the occurrence of a trigger event as defined by OSFI, each outstanding Series 30 preferred share will be automatically and immediately converted, on a full and permanent basis, without the consent of the holder, into a number of common shares of the Bank determined pursuant to an automatic conversion formula. Given that the Series 30 preferred shares satisfy the non-viability contingent capital requirements, they qualify for the purposes of calculating regulatory capital under Basel III. The Series 30 preferred shares are recorded as liabilities due to their non-viability contingent capital clauses. Dividends are recorded as a reduction of equity due to their discretionary nature.

Redemption of Preferred Shares

On February 15, 2014, the Bank redeemed the outstanding 2,425,880 Non-Cumulative Series 24 First Preferred Shares and the outstanding 1,724,835 Non-Cumulative Series 26 First Preferred Shares at a per-share price of $25.00 plus the periodic declared and unpaid dividend. The Bank paid the redemption price and the dividend on February 17, 2014, the first business day after the redemption date.

Repurchase of Common Shares(1)

On June 20, 2013, the Bank began a normal course issuer bid to repurchase for cancellation up to 6,496,228 common shares over the 12-month period ending no later than June 19, 2014. The shares will be repurchased on the open market at market prices through the Toronto Stock Exchange. Premiums paid above the average book value of the common shares will be charged to *Retained earnings.* During the six months ended April 30, 2014, the Bank did not repurchase any shares.

Common Shares Held in Escrow(1)

As part of the acquisition of Wellington West Holdings Inc., the Bank had issued common shares held in escrow. As at April 30, 2014, the balance of the common shares held in escrow was 2,602,470 (2,664,268 as at October 31, 2013). The Bank expects that the conditions will be met and that the remaining shares held in escrow will be released by the end of fiscal 2015.

(1) Reflecting the stock dividend, as described above.

(unaudited) (millions of Canadian dollars)

	As at April 30, 2014		As at October 31, 2013	
	Number of shares	Shares $	Number of shares	Shares $
First Preferred Shares				
Presented as liabilities				
Series 30	14,000,000	341	–	–
Presented in equity				
Series 16	8,000,000	200	8,000,000	200
Series 20	6,900,000	173	6,900,000	173
Series 24	–	–	2,425,880	61
Series 26	–	–	1,724,835	43
Series 28	8,000,000	200	8,000,000	200
	22,900,000	573	27,050,715	677
	36,900,000	914	27,050,715	677
Common shares at beginning of the fiscal year(1)	325,982,736	2,160	322,616,546	2,054
Issued pursuant to:				
Stock Option Plan(1)	1,723,082	59	3,529,528	107
Impact of shares purchased or sold for trading(1)	(64,943)	–	(137,688)	(1)
Other(1)	(35,292)	–	(25,650)	–
Common shares at end of the period(1)	327,605,583	2,219	325,982,736	2,160

	Six months ended April 30			
	2014		2013	
	Dividends $	Dividends per share	Dividends $	Dividends per share
First Preferred Shares				
Presented as liabilities				
Series 30	4	0.2724	–	–
Presented in equity				
Series 15	–	–	2	0.2444
Series 16	5	0.6063	5	0.6063
Series 20	5	0.7500	5	0.7500
Series 21	–	–	2	0.6719
Series 24	1	0.4125	2	0.8250
Series 26	1	0.4125	2	0.8250
Series 28	3	0.4750	4	0.4978
	15		22	
	19		22	
Common shares(1)	301	0.9200	269	0.8200
	320		291	

(1) Reflecting the stock dividend, as described on the previous page.

(unaudited) (millions of Canadian dollars)

NOTE 14 – NON-CONTROLLING INTERESTS

	As at April 30, 2014	As at October 31, 2013[1]
Trust units issued by NBC Asset Trust (NBC CapS II)		
Series 1[2]	409	409
Series 2[3]	359	359
Other	27	21
	795	789

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.
(2) Includes $9 million in accrued interest ($9 million as at October 31, 2013).
(3) Includes $9 million in accrued interest ($9 million as at October 31, 2013).

NOTE 15 – CAPITAL DISCLOSURE

OSFI has been requiring Canadian banks to meet the 2019 minimum "all-in" requirements since the first quarter of 2013 for Common Equity Tier 1 (CET1) and since the first quarter of 2014 for Tier 1 capital and total capital. Furthermore, to ensure an implementation similar to that of other countries, OSFI has decided to phase in the credit valuation adjustment (CVA) charge over a period of five years beginning in 2014. In the first year, only 57%, 65% and 77% of total CVA will be applied to the calculation of the CET1, Tier 1 and total capital ratios, respectively, and these percentages will gradually increase each year until they reach 100% by 2019. The Bank has applied the prescribed percentages to the total CVA charge in the calculation of capital ratios as at April 30, 2014.

The Bank must now maintain a CET1 capital ratio, Tier 1 capital ratio and total capital ratio of at least 7.0%, 8.5% and 10.5%, respectively, all of which include the 2.5% capital conservation buffer. In March 2013, OSFI designated Canada's six largest banks, a group that includes National Bank, as Domestic Systemically Important Banks (D-SIBs). For these banks, a 1% surcharge will apply to their capital ratios as of January 1, 2016. Consequently, as of that date, the Bank and all other major Canadian banks will have to maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5% and a total capital ratio of at least 11.5%, all determined using the "all-in" methodology.

In addition to regulatory capital ratios, OSFI also requires Canadian banks to meet a financial leverage test. Leverage or the assets-to-capital multiple (ACM) is calculated by dividing the Bank's total assets, including certain off-balance-sheet items, by its total regulatory capital in accordance with the transitional requirements for Basel III. In January 2014, after the Basel Committee on Banking Supervision updated the Basel III rules for the leverage ratio, OSFI announced that the new Basel III leverage ratio would replace the ACM as of January 1, 2015. The new leverage ratio is calculated by dividing Tier 1 capital by total on- and off-balance-sheet assets. Items deducted from Tier 1 capital will also be excluded from the calculation of the leverage ratio.

As at April 30, 2014, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Capital Ratios Under Basel III[1]

	As at April 30, 2014	As at October 31, 2013
Common Equity Tier 1 Capital (CET1)	5,560	5,350
Tier 1 Capital	7,458	7,002
Total Regulatory Capital	9,366	9,186
Risk-Weighted Assets	64,235	61,251
Capital ratios		
Common Equity Tier 1 (CET1)	8.7 %	8.7 %
Tier 1	11.6 %	11.4 %
Total	14.6 %	15.0 %
Assets-to-capital multiple	18.8	18.4

(1) Figures are presented on an "all-in" basis, except for the assets-to-capital multiple, which is presented in accordance with the transitional requirements for Basel III, and the October 31, 2013 figures have not been adjusted to reflect changes in accounting standards.

(unaudited) (millions of Canadian dollars)

NOTE 16 – TRADING ACTIVITY REVENUES

Trading activity revenues consist of the net interest income from trading activities and the trading revenues recognized in *Non-interest income* in the Consolidated Statement of Income.

Net interest income comprises interest and dividends related to financial assets and liabilities associated with trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities.

Non-interest income consists of the realized and unrealized gains and losses on securities that are measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, and the change in fair value of financial instruments designated at fair value through profit or loss.

	Quarter ended April 30		Six months ended April 30	
	2014	2013	**2014**	2013
Net interest income	**125**	133	**216**	222
Non-interest income	**(33)**	121	**45**	155
	92	254	**261**	377

NOTE 17 – SHARE-BASED PAYMENTS[(1)]

Stock Option Plan

During the quarters ended April 30, 2014 and 2013, the Bank did not award any stock options. During the six months ended April 30, 2014, the Bank awarded 2,863,376 stock options (3,225,392 stock options during the six months ended April 30, 2013) with an average fair value of $5.39 per option ($4.90 in 2013). As at April 30, 2014, there were 16,039,696 stock options outstanding (16,278,300 stock options as at April 30, 2013).

The average fair value of the options awarded was estimated on the award date using the Black-Scholes model and the following assumptions:

	Six months ended April 30	
	2014	2013
Risk-free interest rate	**2.47%**	1.78%
Expected life of options	**7 years**	7 years
Expected volatility	**20.46%**	22.85%
Expected dividend yield	**4.4%**	4.3%

Compensation expense is presented in the following table:

	Quarter ended April 30		Six months ended April 30	
	2014	2013	**2014**	2013
Compensation expense recorded for stock options	**3**	3	**7**	8

(1) Reflecting the stock dividend paid on February 13, 2014. See Note 13.

(unaudited) (millions of Canadian dollars)

NOTE 18 – EMPLOYEE BENEFITS

The Bank offers defined benefit pension plans and certain post-retirement and post-employment benefits. The expenses associated with these plans and the actuarial gains and losses recognized in *Other comprehensive income* are presented in the following tables.

Expense Components of the Pension Plans and Other Plans

	Quarter ended April 30				Six months ended April 30			
	Pension plans		Other plans		Pension plans		Other plans	
	2014	2013(1)	**2014**	2013(1)	**2014**	2013(1)	**2014**	2013(1)
Current service cost	**19**	17	**2**	1	**37**	34	**4**	2
Past service cost	**–**	–	**–**	–	**–**	(26)	**–**	(8)
Interest on the accrued benefit liability (asset), net	**(1)**	1	**2**	1	**(2)**	2	**4**	3
Administrative expenses	**–**	1	**–**	–	**1**	2	**–**	–
Pension plan expense	**18**	19			**36**	12		
Other plan expense (recovery)			**4**	2			**8**	(3)

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

Actuarial Gains and Losses Recognized in *Other Comprehensive Income*(1)

	Quarter ended April 30				Six months ended April 30			
	Pension plans		Other plans		Pension plans		Other plans	
	2014	2013(2)	**2014**	2013(2)	**2014**	2013(2)	**2014**	2013(2)
Cumulative actuarial gains (losses) at beginning – Retained earnings	**(173)**	(277)	**(28)**	(26)	**(166)**	(308)	**(24)**	(25)
Actuarial gains (losses) for the period – Other comprehensive income	**61**	(33)	**(2)**	(9)	**54**	(2)	**(6)**	(10)
Cumulative actuarial gains (losses) at end – Retained earnings	**(112)**	(310)	**(30)**	(35)	**(112)**	(310)	**(30)**	(35)

(1) The amounts are presented on a pre-tax basis.
(2) The amounts have been adjusted to reflect changes in accounting standards. See Note 2.

NOTE 19 – EARNINGS PER SHARE(1)

Diluted earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding, factoring in the dilutive effect of stock options using the treasury stock method.

	Quarter ended April 30		Six months ended April 30	
	2014	2013(2)	**2014**	2013(2)
Basic earnings per share				
Net income attributable to the Bank's shareholders	**345**	402	**734**	758
Dividends on preferred shares	**10**	10	**19**	22
Net income attributable to common shareholders	**335**	392	**715**	736
Weighted average basic number of common shares outstanding *(thousands)*	**327,318**	324,556	**326,907**	323,852
Basic earnings per share *(dollars)*	**1.02**	1.21	**2.19**	2.27
Diluted earnings per share				
Net income attributable to common shareholders	**335**	392	**715**	736
Weighted average basic number of common shares outstanding *(thousands)*	**327,318**	324,556	**326,907**	323,852
Adjustment to average number of common shares *(thousands)*				
Stock options(3)	**3,398**	2,520	**3,507**	2,819
Weighted average diluted number of common shares outstanding *(thousands)*	**330,716**	327,076	**330,414**	326,671
Diluted earnings per share *(dollars)*	**1.01**	1.20	**2.16**	2.25

(1) The weighted average basic number of common shares outstanding, the weighted average diluted number of common shares outstanding, basic earnings per share and diluted earnings per share have been adjusted retrospectively to reflect the stock dividend paid on February 13, 2014. See Note 13.

(2) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.

(3) For the quarter and six-month period ended April 30, 2014, the diluted earnings per share calculation does not include an average number of 2,855,584 options outstanding with a weighted average exercise price of $44.96 (3,209,072 options outstanding with a weighted average exercise price of $38.36 for the quarter ended April 30, 2013), as the exercise price of these options was higher than the average price of the Bank's common shares. For the six months ended April 30, 2013, with the exercise price of the options being less than the average price of the Bank's common shares, no option was excluded from the diluted earnings per share calculation.

(unaudited) (millions of Canadian dollars)

NOTE 20 – ACQUISITION

TD Waterhouse Institutional Services

On November 12, 2013, through a subsidiary, the Bank completed the acquisition of Toronto-Dominion Bank's institutional services known as TD Waterhouse Institutional Services. This acquisition marks another step in the Bank's expansion of its wealth management platform across Canada. At $260 million, the purchase price is subject to a price adjustment mechanism based on the assets retained over a one-year period. The net assets acquired include client list intangible assets totalling approximately $58 million. The purchase price exceeded the fair value of the net assets acquired by $206 million. This excess amount was recorded on the Consolidated Balance Sheet as goodwill and mainly represents synergies and the benefits expected from combining the acquired operations with those of the Bank. The tax deductible portion of the goodwill is $155 million. The acquired receivables, consisting mainly of loans to clients for the purchase of securities, had an acquisition-date fair value of $448 million. This amount also represents the gross contractual amounts receivable, which the Bank expects to fully recover.

An amount of $1 million in acquisition-related costs was included in *Non-interest expenses* in the Consolidated Statement of Income for the six months ended April 30, 2014. These consolidated financial statements include the results of the acquired business as of November 12, 2013. During the quarter ended April 30, 2014, the acquired business contributed approximately $14 million to the Bank's total revenues and $6 million to its net income (excluding integration costs). For the six months ended April 30, 2014, the contributions to total revenues and net income amounted to $27 million and $12 million, respectively. If the Bank had completed the acquisition on November 1, 2013, total revenues would have been approximately $2,642 million and net income approximately $768 million for the six months ended April 30, 2014.

The following table summarizes the acquisition-date fair values of all assets acquired and liabilities assumed:

Cash and cash equivalents	**982**
Loans	**71**
Due from clients, dealers and brokers	**448**
Goodwill	**206**
Intangible assets	**58**
Total assets	**1,765**
Deposits	**1,380**
Due to clients, dealers and brokers	**111**
Other liabilities	**14**
Total liabilities	**1,505**
Purchase price	**260**

Cash Flows Related to the Acquisition:

Cash to be transferred by the seller	**982**
Purchase price	**260**
Net cash amount transferred by the seller	**722**

NOTE 21 – STRUCTURED ENTITIES

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. Structured entities include special purpose entities, which are entities created to accomplish a narrow and well-defined objective. Structured entities are assessed for consolidation in accordance with the accounting treatment described in Note 2. The Bank's maximum exposure to loss resulting from economic interests consists primarily of the investments in these entities, the fair value of the derivative contracts entered into with them, and the backstop liquidity and credit enhancement facilities granted to certain structured entities.

Non-Consolidated Structured Entities

Multi-Seller Conduits

The Bank administers multi-seller conduits that purchase financial assets from clients and finance those purchases by issuing commercial paper backed by the assets acquired. Clients use these multi-seller conduits to diversify their funding sources and reduce borrowing costs, while continuing to manage the assets and providing some amount of first-loss protection. Notes issued by the conduits and held by third parties provide additional credit loss protection. The Bank acts as a financial agent and provides these conduits with administrative and transaction structuring services as well as backstop liquidity and credit enhancement facilities under the commercial paper program. The Bank has concluded derivative contracts with these conduits, the fair value of which is presented on the Bank's Consolidated Balance Sheet. Although the Bank has the ability to direct the relevant activities of these conduits, it cannot use its power to affect the amount of the returns it obtains, as it acts as an agent. Consequently, the Bank does not control these conduits and does not consolidate them.

Master Asset Vehicles (MAV)
The Bank holds economic interests in MAVs in the form of restructured notes and the margin funding facility provided. The Bank does not have the ability to direct the relevant activities of the MAVs. Consequently, it does not control these MAVs and does not consolidate them.

Private Capital Funds and Investments
As part of its investment banking operations, the Bank invests in several limited liability partnerships and other incorporated entities. These investment companies in turn invest in operating companies with a view to reselling these investments at a profit over the medium or long term. The Bank does not intervene in the operations of these entities; its only role is that of an investor. Consequently, it does not control these companies and does not consolidate them.

NBC Capital Trust
The Bank created NBC Capital Trust (the Trust) for its funding and capital management needs. The securities issued by this trust constitute innovative capital instruments and are eligible as additional Tier 1 capital, but because these instruments do not satisfy the non-viability contingent capital requirements, they are to be phased out at a rate of 10% per year between 2013 and 2022. The gross proceeds from the securities issued by this trust were used to acquire a deposit note from the Bank (see Note 9). The Bank also holds all of the trust's equity and has committed to lend it the liquidity it needs in the normal course of business. Although the Bank has the ability to direct the relevant activities of the Trust, it is not exposed to or have the rights to variable returns since the Trust's primary asset is a deposit note issued by the Bank. Consequently, the Bank does not control the Trust and does not consolidate it.

Consolidated Structured Entities
Securitization Entity for the Bank's Credit Card Receivables
The Bank established Canadian Credit Card Trust (CCCT) to securitize its credit card receivables and has used this entity for capital management and funding purposes. The Bank acts as an administrative agent and servicer and as such is responsible for the daily administration and management of CCCT's credit card receivables. In addition, the Bank holds certificates issued by CCCT, which gives it rights to CCCT's residual cash flows. The Bank therefore has the ability to direct the relevant activities of CCCT and can use its power to affect the amount of returns it obtains. Consequently, the Bank controls CCCT and consolidates it.

National Bank Hedge Fund Managed Accounts (Innocap Platform)
Innocap Investment Management Inc. (Innocap), a company under joint control, offers hedge fund account programs for fund sponsors seeking a platform that gives them a high degree of transparency and leading-edge tools to manage liquidity and control assets and risk. The Bank can hold economic interests in certain hedge funds of the platform and consolidates those of which it has the ability to direct the relevant activities and in which it can use its power to affect the amount of returns it obtains.

Covered Bond Guarantor
NBC Covered Bond Guarantor (Legislative) Limited Partnership
Since December 2013, the Bank has been participating in the new covered bond legislative program, under which covered bonds are issued. It therefore created NBC Covered Bond Guarantor (Legislative) Limited Partnership (the Guarantor) to guarantee payment of the principal and interest owed to the bondholders. The Bank sold uninsured residential mortgages to the Guarantor and granted it loans to facilitate the acquisition of these assets. Through a subsidiary, the Bank acts as manager of the partnership and therefore influences the returns of the partnership, which are directly related to the return on the mortgage loan portfolio and the interest on the loans from the Bank. Consequently, the Bank consolidates the partnership because it has the ability to direct its relevant activities and because it can use its power to affect the amount of the returns it obtains.

NBC Covered Bond Guarantor Limited Partnership
Since January 2011, the Bank has been participating in the structured covered bond program under which covered bonds are issued. It therefore created NBC Covered Bond Guarantor Limited Partnership (the Guarantor) to guarantee payment of the principal and interest owed to the bondholders. The Bank sold insured residential mortgages to the Guarantor and granted it a demand loan to facilitate the acquisition of these assets. Through a subsidiary, the Bank acts as manager of the partnership and therefore influences the returns of the partnership, which are directly related to the return on the mortgage loan portfolio and interest on the loan from the Bank. Consequently, the Bank consolidates the partnership because it has the ability to direct its relevant activities and because it can use its power to affect the amount of the returns it obtains.

Mutual Funds
The Bank enters into derivative contracts with third parties to provide them with the desired exposure to certain mutual funds. The Bank economically hedges the risks related to these derivatives by investing in those mutual funds. The Bank consolidates those of which it has the ability to direct its relevant activities and in which it can use its power to affect the amount of returns it obtains.

(unaudited) (millions of Canadian dollars)

NOTE 21 – STRUCTURED ENTITIES (cont.)

NBC Asset Trust

The Bank created NBC Asset Trust for its funding and capital management needs. The securities issued by this trust constitute innovative capital instruments and are eligible as additional Tier 1 capital, but because these instruments do not satisfy the non-viability contingent capital requirements, they are to be phased out at a rate of 10% per year between 2013 and 2022. The issuance proceeds were used to acquire, from the Bank, residential mortgage loans. Not only does the Bank remain the administrator of these loans, it also administers the day-to-day operations of the trust. The Bank also holds the special voting securities of the trust. After the distribution has been paid to the holders of the trust capital securities, the Bank, as the sole holder of the special trust securities, is entitled to receive the balance of net residual funds. Therefore, the Bank has the ability to direct the relevant activities of NBC Asset Trust and can use its power to affect the amount of returns it obtains. Consequently, the Bank controls this trust and consolidates it.

The following table presents the Bank's exposure to consolidated and non-consolidated structured entities.

	As at April 30, 2014		As at October 31, 2013[1]	
	Investments and other assets	**Total assets**	Investments and other assets	Total assets
Non-consolidated structured entities				
Multi-seller asset-backed commercial paper conduits administered by the Bank[2]	**13**	**2,044**	6	2,110
National Bank hedge fund managed accounts (Innocap platform)[3]	**3**	**33**	32	290
Restructured notes of the MAV conduits and other restructured notes[4]	**1,413**	**–**	1,361	–
Private capital funds and investments[5]	**1,239**	**8,641**	1,304	7,183
NBC Capital Trust[6]	**–**	**244**	–	246
	2,668	**10,962**	2,703	9,829
Consolidated structured entities				
Securitization entity for the Bank's credit card receivables[7][8]	**329**	**1,623**	328	1,621
National Bank hedge fund managed accounts (Innocap platform)[3][8]	**533**	**645**	508	617
Mutual funds[8][9]	**320**	**320**	411	411
Covered bonds[10]	**7,588**	**7,770**	3,506	3,939
Building[11]	**75**	**68**	78	71
Private investments[12]	**–**	**–**	–	2
NBC Asset Trust[13]	**938**	**1,707**	938	1,710
	9,783	**12,133**	5,769	8,371
	12,451	**23,095**	8,472	18,200

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.
(2) The main underlying assets, located in Canada, are residential mortgages, automobile loans, automobile inventory financings, and other receivables. As at April 30, 2014, the notional committed amount of the global-style liquidity facilities totalled $2,033 million ($2,104 million as at October 31, 2013), representing the total amount of commercial paper outstanding. The Bank also provides series-wide credit enhancement facilities for a notional committed amount of $30 million ($30 million as at October 31, 2013). The maximum exposure to loss cannot exceed the amount of commercial paper outstanding. As at April 30, 2014, the Bank held $13 million in commercial paper ($6 million as at October 31, 2013) and, consequently, the maximum potential amount of future payments as at April 30, 2014 was limited to $2,020 million ($2,098 million as at October 31, 2013), which represents the amount of undrawn liquidity and credit enhancement facilities.
(3) The underlying assets are various financial instruments (trading portfolio). The total assets of the Innocap platform are presented on a net asset basis.
(4) See the Master Asset Vehicles section in Note 5. The total amount outstanding of restructured notes of the MAV conduits totalled $24 billion as at April 30, 2014 ($25 billion as at October 31, 2013). The undrawn margin funding facilities amounted to $844 million as at April 30, 2014 ($886 million as at October 31, 2013).
(5) The underlying assets are mainly private investments. The amount of total assets of the structured entities corresponds to the amount for the most recent available period.
(6) The underlying asset is a deposit note from the Bank. See Note 9.
(7) The underlying assets are credit card receivables.
(8) The Bank's exposure is presented net of third-party holdings.
(9) The underlying assets are various financial instruments and are presented on a net asset basis. Certain mutual funds are in a trading portfolio.
(10) For the covered bonds issued under the new covered bond legislative program, the underlying assets are uninsured residential mortgage loans totalling $4,746 million as at April 30, 2014. The average maturity of these underlying assets is two years. For covered bonds issued under the structured covered bond program, the underlying assets are insured residential mortgage loans totalling $3,024 million as at April 30, 2014 ($3,939 million as at October 31, 2013). The average maturity of these underlying assets is two years. See Note 9.
(11) The underlying asset is a building located in Canada.
(12) The underlying assets are private investments.
(13) The underlying assets are insured and uninsured residential mortgage loans of the Bank. As at April 30, 2014, insured loans amounted to $243 million ($277 million as at October 31, 2013). The average maturity of the underlying assets is two years.

(unaudited) (millions of Canadian dollars)

NOTE 22 – SEGMENT DISCLOSURES

Quarter ended April 30

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)
Net interest income(2)	411	394	79	66	231	238	(72)	(78)	649	620
Non-interest income	238	236	251	222	106	125	32	180	627	763
Total revenues	649	630	330	288	337	363	(40)	102	1,276	1,383
Non-interest expenses	376	369	237	221	162	169	24	75	799	834
Contribution	273	261	93	67	175	194	(64)	27	477	549
Provisions for credit losses	51	52	–	–	–	1	–	–	51	53
Income before income taxes (recovery)	222	209	93	67	175	193	(64)	27	426	496
Income taxes (recovery)(2)	60	56	25	18	47	52	(68)	(47)	64	79
Net income	162	153	68	49	128	141	4	74	362	417
Non-controlling interests	–	–	–	–	3	2	14	13	17	15
Net income attributable to the Bank's shareholders	162	153	68	49	125	139	(10)	61	345	402
Average assets	80,750	76,111	10,529	9,054	82,054	86,953	28,768	21,801	202,101	193,919

Six months ended April 30

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)
Net interest income(3)	830	798	156	134	404	403	(127)	(119)	1,263	1,216
Non-interest income	477	471	498	431	298	263	104	234	1,377	1,399
Total revenues	1,307	1,269	654	565	702	666	(23)	115	2,640	2,615
Non-interest expenses	754	741	468	432	330	330	63	68	1,615	1,571
Contribution	553	528	186	133	372	336	(86)	47	1,025	1,044
Provisions for credit losses	101	96	1	1	–	(12)	–	–	102	85
Income before income taxes (recovery)	452	432	185	132	372	348	(86)	47	923	959
Income taxes (recovery)(3)	122	116	49	35	100	94	(115)	(76)	156	169
Net income	330	316	136	97	272	254	29	123	767	790
Non-controlling interests	–	–	–	–	5	5	28	27	33	32
Net income attributable to the Bank's shareholders	330	316	136	97	267	249	1	96	734	758
Average assets	80,114	75,398	10,555	9,045	83,839	84,753	29,421	21,100	203,929	190,296

(1) Certain amounts have been adjusted to reflect changes in accounting standards. See Note 2.
(2) Net interest income and income taxes (recovery) of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists in grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $61 million ($61 million in 2013). An equivalent amount was added to *Income taxes (recovery)*. The impact of these adjustments is reversed under the *Other* heading.
(3) For the six months ended April 30, 2014, *Net interest income* was grossed up by $105 million ($104 million in 2013). An equivalent amount was added to *Income taxes (recovery)*. The impact of these adjustments is reversed under the *Other* heading.

Personal and Commercial
The Personal and Commercial segment encompasses the banking, financing, and investing services offered to individuals and businesses as well as insurance operations.

Wealth Management
The Wealth Management segment comprises investment solutions, trust services, banking services, lending services and other wealth management solutions offered through internal and third-party distribution networks.

Financial Markets
The Financial Markets segment encompasses banking services, investment banking services and financial solutions for institutional clients. The segment is also active in proprietary trading and investment activities.

Other
This heading encompasses treasury activities, including the Bank’s liquidity management and funding operations, certain non-recurring items and the unallocated portion of corporate services.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

Investor Relations
Financial analysts and investors who want to obtain financial information on the Bank may contact the Investor Relations Department.

600 De La Gauchetière Street West, 7th Floor
Montreal, Quebec H3B 4L2
Toll-free: 1-866-517-5455
Fax: 514-394-6196
Email: *investorrelations@nbc.ca*
Website: nbc.ca/investorrelations

Public Affairs
600 De La Gauchetière Street West, 10th Floor
Montreal, Quebec H3B 4L2
Telephone: 514-394-8644
Fax: 514-394-6258
Website: nbc.ca
General inquiries: *telnat@bnc.ca*

Quarterly Report Publication Dates for Fiscal 2014
(subject to approval by the Board of Directors of the Bank)

First quarter	February 24
Second quarter	May 27
Third quarter	August 28
Fourth quarter	December 5

Disclosure of Second Quarter 2014 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, May 28, 2014 at 11 a.m. EDT.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-695-7806. The access code is 3390539#.
- A recording of the conference call can be heard until June 6, 2014 by dialing 1-800-408-3053 or 905-694-9451. The access code is 5955220#.

Webcast
- The conference call will be webcast live at nbc.ca/investorrelations.
- A recording of the webcast will also be available on National Bank's website after the call.

Financial Documents
- The quarterly consolidated financial statements are available at all times on National Bank's website at nbc.ca/investorrelations.
- The Report to Shareholders, Supplementary Financial Information and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.

Transfer Agent and Registrar
For information about stock transfers, address changes, dividends, lost certificates, tax forms, and estate transfers, shareholders are asked to contact the transfer agent, Computershare Trust Company of Canada, at the address or telephone number below.

Computershare Trust Company of Canada
Share Ownership Management
1500 University Street, 7th Floor
Montreal, Quebec H3A 3S8
Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: *service@computershare.com*
Website: computershare.com

Direct Deposit Service for Dividends
Shareholders may elect to have their dividend payments deposited directly via electronic funds transfer to their bank account at any financial institution that is a member of the Canadian Payments Association. To do so, they must send a written request to the transfer agent, Computershare Trust Company of Canada.

Dividend Reinvestment and Share Purchase Plan
The Bank has a Dividend Reinvestment and Share Purchase Plan for Canadian holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Canadian participants acquire common shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of at least $500 per payment, up to a maximum of $5,000 per quarter.

For more information, shareholders may contact National Bank's registrar and transfer agent, Computershare Trust Company of Canada, at 1-888-838-1407. To participate in the plan, National Bank's beneficial or non-registered common shareholders must contact their financial institution or broker.

Dividends
The dividends declared by the Bank constitute eligible dividends pursuant to the *Income Tax Act* (Canada).

NATIONAL BANK