NATIONAL BANK

REPORT TO SHAREHOLDERS **SECOND QUARTER 2015**

National Bank reports its results for the Second Quarter of 2015 and raises its quarterly dividend by 4% to 52 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, 2015 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, 2015 – For the second quarter of 2015, National Bank is reporting net income of $404 million, up 12% from $362 million in the same quarter of 2014, and diluted earnings per share of $1.13, up 12% from $1.01 in the same quarter of 2014.

Excluding specified items, second-quarter net income totalled $411 million, up 10% from $375 million in the second quarter of 2014, and second-quarter diluted earnings per share stood at $1.15, up 10% from $1.05 in the same quarter of 2014. The specified items are described on page 4.

For the first six months of fiscal 2015, the Bank's net income totalled $819 million versus $767 million in the same six-month period of 2014, and its first-half diluted earnings per share stood at $2.29 versus $2.16 in the same period of 2014. Excluding specified items, the Bank's 2015 first-half net income totalled $821 million, up 8% from $759 million in the same six-month period of 2014, and its first-half diluted earnings per share stood at $2.30, up 7% from $2.14 in the same six-month period of 2014.

"Our solid second quarter results once again underlined the strength of our franchise with strong volume growth in personal and commercial loans and deposits, higher Wealth Management revenues and good overall performance from our financial markets activities," said President and Chief Executive Officer Louis Vachon. "Furthermore, capital levels and credit quality remained solid. Therefore, we renewed our common share buyback program and increased our dividend, and we are continuing to invest in our long-term growth," added Mr. Vachon.

Highlights

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	**2015**	2014	% Change
Net income	**404**	362	12	**819**	767	7
Diluted earnings per share *(dollars)*	**$ 1.13**	$ 1.01	12	**$ 2.29**	$ 2.16	6
Return on common shareholders' equity	**17.6 %**	17.4 %		**17.7 %**	18.6 %	
Dividend payout ratio	**44 %**	42 %		**44 %**	42 %	
Excluding specified items[1]						
Net income	**411**	375	10	**821**	759	8
Diluted earnings per share *(dollars)*	**$ 1.15**	$ 1.05	10	**$ 2.30**	$ 2.14	7
Return on common shareholders' equity	**17.9 %**	18.1 %		**17.7 %**	18.4 %	
Dividend payout ratio	**42 %**	43 %		**42 %**	43 %	

	As at April 30, 2015	As at October 31, 2014
CET1 capital ratio under Basel III	**9.5 %**	9.2 %
Leverage ratio under Basel III[2]	**3.7 %**	

(1) See the Financial Reporting Method section on page 4.
(2) The ratio came into effect on January 1, 2015.

Personal and Commercial

- Net income totalled $166 million in the second quarter of 2015, a 6% increase from $157 million in the second quarter of 2014.
- At $680 million, second-quarter total revenues rose $35 million or 5% year over year.
- Rising 7% from a year ago, personal lending experienced sustained growth, with the most significant increases coming from consumer loans and mortgage loans, and commercial lending also grew 7% from a year ago.
- The net interest margin was 2.19% in the second quarter of 2015 versus 2.20% the preceding quarter and 2.24% in the second quarter of 2014.
- Before provisions for credit losses and income taxes, the segment's contribution was up $18 million or 7%.
- At 58.2%, the efficiency ratio improved from 58.8% in the same quarter of 2014.

Wealth Management

- Net income totalled $103 million in the second quarter of 2015 versus $69 million in the same quarter of 2014, a 49% year-over-year increase owing mainly to a gain on disposal of Fiera Capital shares.
- Excluding specified items(1), second-quarter net income totalled $84 million, up $6 million or 8% year over year.
- Excluding specified items(1), second-quarter total revenues amounted to $359 million versus $332 million in the second quarter of 2014, a $27 million or 8% year-over-year increase mainly driven by growth in fee-based revenues and net interest income, tempered by a decrease in transaction-based revenues.
- Second-quarter non-interest expenses stood at $255 million, up 8% year over year.
- Excluding specified items(1), the efficiency ratio was 68.0%, stable when compared to 68.1% in the second quarter of 2014.

Financial Markets

- Net income totalled $160 million in the second quarter of 2015, a 25% increase from $128 million in the same quarter of 2014.
- Excluding specified items(1), second-quarter net income totalled $176 million, up $48 million or 38% year over year.
- Excluding specified items(1), total revenues amounted to $428 million, a year-over-year increase of $91 million or 27% owing mainly to higher trading activity revenues.
- At $187 million, the 2015 second-quarter non-interest expenses increased by $25 million year over year, particularly because variable compensation was higher given the revenue growth.
- Excluding specified items(1), the efficiency ratio was 43.7%, an improvement from 48.1% in the second quarter of 2014.

Other

- For the second quarter of 2015, there was a net loss of $25 million compared to net income of $8 million in the same quarter of 2014. This decrease in net income came essentially from an increase in non-interest expenses, particularly due to impairment losses on intangible assets.

Capital Management

- As at April 30, 2015, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 9.5% compared to 9.2% as at October 31, 2014 due to an increase in internally generated capital, partly offset by an increase in risk-weighted assets.
- The leverage ratio under Basel III was 3.7% as at April 30, 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 26, 2015

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 (the consolidated financial statements) for the second quarter and first six months ended April 30, 2015 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. This MD&A should be read in conjunction with the consolidated financial statements for the quarter and six months ended April 30, 2015 and with the *2014 Annual Report*. All amounts are presented in Canadian dollars. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

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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 *2014 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 2015 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. 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 2015 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 (all of which are described in more detail in the Risk Management section beginning on page 61 of the *2014 Annual Report*), general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including 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 *U.S. Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank's information technology systems, including evolving cyber attack risk.

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 *2014 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. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

The Bank's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB and set out in the CPA Canada Handbook. The Bank also uses non-IFRS financial measures when assessing its results and measuring Bank-wide performance. Presenting such information helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items to not be reflective of ordinary operations. 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

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	**2015**	2014	% Change
Excluding specified items						
Personal and Commercial	**166**	157	6	**341**	323	6
Wealth Management	**84**	78	8	**167**	154	8
Financial Markets	**176**	128	38	**354**	273	30
Other	**(15)**	12		**(41)**	9	
Net income excluding specified items	**411**	375	10	**821**	759	8
Items related to holding restructured notes(1)	**23**	(3)		**36**	27	
Acquisition-related items(2)	**(6)**	(10)		**(14)**	(19)	
Gain on disposal of Fiera Capital shares(3)	**25**	–		**25**	–	
Share of current tax asset write-down of an associate(4)	**(16)**	–		**(16)**	–	
Impairment losses on intangible assets(5)	**(33)**	–		**(33)**	–	
Net income	**404**	362	12	**819**	767	7
Diluted earnings per share excluding specified items	**$ 1.15**	$ 1.05	10	**$ 2.30**	$ 2.14	7
Items related to holding restructured notes(1)	**0.07**	(0.01)		**0.11**	0.08	
Acquisition-related items(2)	**(0.02)**	(0.03)		**(0.05)**	(0.06)	
Gain on disposal of Fiera Capital shares(3)	**0.08**	–		**0.08**	–	
Share of current tax asset write-down of an associate(4)	**(0.05)**	–		**(0.05)**	–	
Impairment losses on intangible assets(5)	**(0.10)**	–		**(0.10)**	–	
Diluted earnings per share	**$ 1.13**	$ 1.01	12	**$ 2.29**	$ 2.16	6
Return on common shareholders' equity						
Including specified items	**17.6 %**	17.4 %		**17.7 %**	18.6 %	
Excluding specified items	**17.9 %**	18.1 %		**17.7 %**	18.4 %	

(1) During the quarter ended April 30, 2015, the Bank recorded $4 million in financing costs ($4 million net of income taxes) related to holding restructured notes (2014: $4 million, $3 million net of income taxes). In addition, a gain of $37 million ($27 million net of income taxes) was recorded upon the disposal of restructured notes of the MAV III conduits. During the six months ended April 30, 2015, the Bank recorded $9 million in financing costs ($8 million net of incomes taxes) related to holding restructured notes (2014: $9 million, $6 million net of income taxes), $23 million in revenues ($17 million net of income taxes) to reflect a rise in the fair value of these notes (2014: $45 million, $33 million net of income taxes) and a gain of $37 million ($27 million net of income taxes) upon the disposal of the restructured notes of the MAV III conduits.

(2) During the quarter ended April 30, 2015, the Bank recorded $8 million in charges ($6 million net of income taxes) related to the Wealth Management acquisitions (2014: $13 million, $10 million net of income taxes). These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the integration costs related to its interest in TMX. For the six months ended April 30, 2015, these charges amounted to $18 million ($14 million net of income taxes) compared to $24 million ($19 million net of income taxes) for the same six-month period of 2014.

(3) During the quarter ended April 30, 2015, a gain, net of underwriting fees, of $29 million ($25 million net of income taxes) was recorded upon a disposal of shares held in Fiera Capital through one of the Bank's subsidiaries. After the transaction, the Bank's ownership percentage in Fiera Capital stood at 22%.

(4) During the quarter ended April 30, 2015, a loss of $18 million ($16 million net of income taxes) was recorded following a write-down of an associate's current tax asset.

(5) During the quarter ended April 30, 2015, the Bank recorded $46 million ($33 million net of income taxes) in intangible asset impairment losses on technological developments.

HIGHLIGHTS

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	2015	2014	% Change
Operating results						
Total revenues	**1,421**	1,276	11	**2,831**	2,640	7
Net income	**404**	362	12	**819**	767	7
Net income attributable to the Bank's shareholders	**388**	345	12	**785**	734	7
Return on common shareholders' equity	**17.6 %**	17.4 %		**17.7 %**	18.6 %	
Earnings per share						
Basic	**$ 1.14**	$ 1.02	12	**$ 2.32**	$ 2.19	6
Diluted	**1.13**	1.01	12	**2.29**	2.16	6
Excluding specified items[1]						
Operating results						
(taxable equivalent basis)[2]						
Total revenues	**1,497**	1,344	11	**2,956**	2,714	9
Net income	**411**	375	10	**821**	759	8
Net income attributable to the Bank's shareholders	**395**	358	10	**787**	726	8
Return on common shareholders' equity	**17.9 %**	18.1 %		**17.7 %**	18.4 %	
Efficiency ratio	**58.7 %**	58.7 %		**58.7 %**	58.8 %	
Earnings per share						
Basic	**$ 1.16**	$ 1.06	9	**$ 2.32**	$ 2.16	7
Diluted	**1.15**	1.05	10	**2.30**	2.14	7
Common share information						
Dividends declared	**$ 0.50**	$ 0.46		**$ 1.00**	$ 0.92	
Book value				**27.01**	24.41	
Share price						
High	**49.15**	45.73		**55.06**	46.86	
Low	**45.02**	41.60		**44.21**	41.60	
Close	**48.75**	45.49		**48.75**	45.49	
Number of common shares *(thousands)*	**330,141**	327,606		**330,141**	327,606	
Market capitalization	**16,094**	14,903		**16,094**	14,903	

(millions of Canadian dollars)	As at April 30, 2015	As at October 31, 2014	% Change
Balance sheet and off-balance-sheet			
Total assets	**207,123**	205,429	1
Loans and acceptances	**108,822**	106,169	2
Impaired loans, net of total allowances	**(117)**	(118)	
As a % of average loans and acceptances	**(0.1) %**	(0.1) %	
Deposits	**122,046**	119,883	2
Equity attributable to common shareholders	**8,917**	8,484	5
Assets under administration and under management	**366,645**	345,332	6
Earnings coverage	**10.37**	8.98	
Asset coverage	**6.33**	5.24	
Regulatory ratios under Basel III			
Capital ratios[3]			
Common Equity Tier 1 (CET1)	**9.5 %**	9.2 %	
Tier 1[4]	**12.4 %**	12.3 %	
Total[4]	**14.6 %**	15.1 %	
Leverage ratio[3][5]	**3.7 %**		
Liquidity coverage ratio[5]	**121.8 %**		
Other information			
Number of employees	**20,125**	19,955	1
Number of branches in Canada	**452**	452	–
Number of banking machines	**933**	935	–

(1) See the Financial Reporting Method section on page 4.
(2) See the Consolidated Results section on page 6.
(3) The ratios are calculated using the "all-in" methodology.
(4) The ratios as at October 31, 2014 include the redemption of the Series 16 preferred shares on November 15, 2014.
(5) The ratios came into effect on January 1, 2015.

FINANCIAL ANALYSIS

Consolidated Results

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	**2015**	2014	% Change
Operating results						
Net interest income	**640**	649	(1)	**1,296**	1,263	3
Non-interest income	**781**	627	25	**1,535**	1,377	11
Total revenues	**1,421**	1,276	11	**2,831**	2,640	7
Non-interest expenses	**936**	799	17	**1,799**	1,615	11
Contribution	**485**	477	2	**1,032**	1,025	1
Provisions for credit losses	**57**	51	12	**111**	102	9
Income before income taxes	**428**	426	–	**921**	923	–
Income taxes	**24**	64	(63)	**102**	156	(35)
Net income	**404**	362	12	**819**	767	7
Diluted earnings per share *(dollars)*	**1.13**	1.01	12	**2.29**	2.16	6
Taxable equivalent[1]						
Net interest income	**123**	61		**186**	105	
Income taxes	**123**	61		**186**	105	
Net income	**–**	–		**–**	–	
Specified items[2]						
Items related to holding restructured notes	**33**	(4)		**51**	36	
Acquisition-related items	**(8)**	(13)		**(18)**	(24)	
Gain on disposal of Fiera Capital shares	**29**	–		**29**	–	
Share of current tax asset write-down of an associate	**(18)**	–		**(18)**	–	
Impairment losses on intangible assets	**(46)**	–		**(46)**	–	
Specified items before income taxes	**(10)**	(17)		**(2)**	12	
Income taxes on specified items	**(3)**	(4)		**–**	4	
Specified items after income taxes	**(7)**	(13)		**(2)**	8	
Operating results on a taxable equivalent basis excluding specified items[1][2]						
Net interest income	**767**	714	7	**1,491**	1,377	8
Non-interest income	**730**	630	16	**1,465**	1,337	10
Total revenues	**1,497**	1,344	11	**2,956**	2,714	9
Non-interest expenses	**879**	789	11	**1,736**	1,596	9
Contribution	**618**	555	11	**1,220**	1,118	9
Provisions for credit losses	**57**	51	12	**111**	102	9
Income before income taxes	**561**	504	11	**1,109**	1,016	9
Income taxes	**150**	129	16	**288**	257	12
Net income	**411**	375	10	**821**	759	8
Diluted earnings per share *(dollars)*	**1.15**	1.05	10	**2.30**	2.14	7
Average assets	**222,931**	202,099	10	**220,694**	203,928	8
Average loans and acceptances	**106,339**	98,583	8	**105,567**	97,773	8
Impaired loans, net of total allowances	**(117)**	(175)		**(117)**	(175)	
Average deposits	**126,341**	113,713	11	**124,911**	113,012	11
Efficiency ratio excluding specified items[1]	**58.7 %**	58.7 %		**58.7 %**	58.8 %	

(1) The Bank uses the taxable equivalent basis to calculate net interest income and income taxes. This calculation method consists of grossing up certain tax-exempt income (particularly dividends) by the income tax that would have otherwise been payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment.

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

Financial Results

For the second quarter of fiscal 2015, National Bank is reporting net income of $404 million, up 12% from $362 million in the same quarter of 2014. Diluted earnings per share for the quarter ended April 30, 2015 stood at $1.13 compared to $1.01 in the same quarter of 2014.

Excluding specified items, the Bank's 2015 second-quarter net income totalled $411 million, up 10% from $375 million in the second quarter of 2014, and its 2015 second-quarter diluted earnings per share stood at $1.15, up 10% from $1.05 in the same quarter of 2014. For the second quarter of 2015, the specified items, net of income taxes, consisted of the following: a $27 million gain on the disposal of restructured notes of the MAV III conduits, $4 million in financing costs (2014: $3 million) related to holding restructured notes, $6 million in items related to the Wealth Management acquisitions (2014: $10 million), a $25 million gain, net of underwriting fees, on the disposal of Fiera Capital shares, a $16 million loss on a current tax asset write-down of an associate in the Financial Markets segment, and $33 million in impairment losses on intangible assets.

For the six months ended April 30, 2015, the Bank's net income totalled $819 million versus $767 million in the same period of 2014, and its diluted earnings per share stood at $2.29 versus $2.16 in the same period of 2014. Excluding specified items, the Bank's first-half net income totalled $821 million, up 8% from $759 million in the same six-month period of 2014, and its first-half diluted earnings per share stood at $2.30, up 7% from $2.14 in the same six-month period of 2014. For the six months ended April 30, 2015, the specified items, net of income taxes, consisted of the following: a $27 million gain on the disposal of restructured notes of the MAV III conduits, $17 million in revenues (2014: $33 million) to reflect a rise in the fair value of restructured notes, $8 million in financing costs (2014: $6 million) related to holding those notes, $14 million in charges (2014: $19 million) related to the Wealth Management acquisitions, a $25 million gain, net of underwriting fees, on the disposal of Fiera Capital shares, a $16 million loss on a current tax asset write-down of an associate in the Financial Markets segment, and $33 million in impairment losses on intangible assets.

Return on common shareholders' equity was 17.7% in the first six months of fiscal 2015 compared to 18.6% in the same six-month period of 2014.

Total Revenues

For the second quarter of 2015, the Bank's total revenues amounted to $1,421 million, up $145 million year over year. Excluding the specified items related to holding restructured notes, to the gain on the disposal of Fiera Capital shares, to the Wealth Management acquisitions, and to the share in the current tax asset write-down of an associate in the Financial Markets segment, total revenues on a taxable equivalent basis amounted to $1,497 million, up 11% from $1,344 million in the second quarter of 2014. Growth in net interest income came from higher personal and commercial loan and deposit volumes, tempered by lower deposit margins, as well as from an increase in the net interest income and dividends from trading activities of the Financial Markets segment. Non-interest income was up $100 million owing to greater business activity in the Wealth Management segment, mainly driven by higher volumes of assets under administration and under management and to increases in credit fees, trading revenues, and underwriting and advisory fees. There were year-over-year decreases in revenues from brokerage commissions and other revenues, particularly attributable to lower revenues from the Credigy Ltd. subsidiary.

For the six-month period ended April 30, 2015, total revenues amounted to $2,831 million, up 7% from $2,640 million in the same period of 2014. Excluding specified items, total revenues on a taxable equivalent basis amounted to $2,956 million for the six-month period ended April 30, 2015, up 9% from $2,714 million in the same period of 2014. The increase came mainly from 8% growth in net interest income resulting from the same reasons provided for the quarter. Non-interest income rose by $128 million, mainly driven by increases in the Wealth Management segment's revenues, credit fees, trading revenues, and underwriting and advisory fees. This increase was tempered by decreases in brokerage commission revenues, insurance revenues, gains on available-for-sale securities, and other revenues.

Provisions for Credit Losses

For the second quarter of 2015, the Bank recorded $57 million in provisions for credit losses, $6 million more than in the same quarter of 2014. This increase was mainly due to higher provisions for credit losses in the Personal and Commercial segment.

For the six months ended April 30, 2015, the Bank recorded $111 million in provisions for credit losses, $9 million more than in the same period of 2014. This change came from higher provisions for credit losses on personal and commercial loans despite lower provisions for credit losses on credit cards and a recovery of losses on real estate loans.

As at April 30, 2015, gross impaired loans stood at $446 million, down $40 million since October 31, 2014. This decrease came from the commercial and real estate loan portfolios, partly offset by a greater number of impaired loans in the personal loans portfolios. Impaired loans represented 6.2% of the tangible capital adjusted for allowances as at April 30, 2015, down 0.9 percentage points from 7.1% as at October 31, 2014. As at April 30, 2015, the allowances for credit losses exceeded gross impaired loans by $117 million compared to $118 million as at October 31, 2014.

Non-Interest Expenses

For the second quarter of 2015, non-interest expenses stood at $936 million, up $137 million or 17% from the same quarter of 2014. Excluding specified items, second-quarter non-interest expenses stood at $879 million, up $90 million. The higher non-interest expense came from a higher compensation and employee benefits expense, particularly the variable compensation associated with growth across the business segments, and from the compensatory tax on salaries. Technology expense also increased as costs were incurred for technology investments.

For the six months ended April 30, 2015, non-interest expenses rose $184 million or 11% year over year. Excluding the specified items recorded in the six months ended April 30, 2015 and 2014, non-interest expenses were up $140 million or 9%. This increase was driven by the same factors provided for the second quarter.

Income Taxes

For the second quarter of 2015, income taxes stood at $24 million compared to $64 million in the same quarter of 2014. The 2015 second-quarter effective income tax rate was 6% versus 15% in the second quarter of 2014 due to higher tax-exempt dividend income and the gain on the disposal of Fiera Capital shares.

For the first six months of fiscal years 2015 and 2014, the effective income tax rates were 11% and 17%, respectively.

Results by Segment

The Bank carries out its activities in three business segments. For presentation purposes, other operating activities as well as Corporate Treasury activities are grouped in the *Other* heading. Each reportable 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		
	2015	2014	% Change	**2015**	2014	% Change
Operating results						
Net interest income	**430**	411	5	**871**	830	5
Non-interest income	**250**	234	7	**500**	473	6
Total revenues	**680**	645	5	**1,371**	1,303	5
Non-interest expenses	**396**	379	4	**793**	760	4
Contribution	**284**	266	7	**578**	543	6
Provisions for credit losses	**56**	51	10	**110**	101	9
Income before income taxes	**228**	215	6	**468**	442	6
Income taxes	**62**	58	7	**127**	119	7
Net income	**166**	157	6	**341**	323	6
Net interest margin(1)	**2.19 %**	2.24 %		**2.19 %**	2.25 %	
Average interest-bearing assets	**80,584**	75,149	7	**80,080**	74,478	8
Average assets	**86,200**	80,748	7	**85,567**	80,113	7
Average loans and acceptances	**85,814**	80,310	7	**85,183**	79,733	7
Net impaired loans	**246**	189	30	**246**	189	30
Net impaired loans as a % of average loans and acceptances	**0.3 %**	0.2 %		**0.3 %**	0.2 %	
Average deposits	**43,726**	42,570	3	**43,780**	42,465	3
Efficiency ratio	**58.2 %**	58.8 %		**57.8 %**	58.3 %	

(1) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

In the Personal and Commercial segment, net income totalled $166 million in the second quarter of 2015, up 6% from $157 million in the second quarter of 2014. Second-quarter total revenues increased by $35 million year over year owing to higher net interest income, which rose $19 million, and to a $16 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 2.19% in the second quarter of 2015 versus 2.24% in the same quarter of 2014, a decrease resulting from lower 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. An increase in non-interest income came essentially from credit fees and internal commission revenues generated by the distribution of Wealth Management products. Commercial Banking's total revenues rose $20 million owing mainly to growth in loan and deposit volumes and in credit fees. This increase was partly offset by lower deposit margins.

The segment's 2015 second-quarter non-interest expenses increased by $17 million or 4% year over year, mainly due to technology expenses. At 58.2%, the efficiency ratio for the second quarter of 2015 improved by 0.6 percentage points when compared to the same quarter of 2014.

The segment's second-quarter provisions for credit losses were $56 million, $5 million more than in the same quarter of 2014. This increase came from higher provisions for credit losses on both personal loans and commercial loans.

For the six months ended April 30, 2015, the Personal and Commercial segment posted net income of $341 million, up $18 million or 6% from $323 million in the same six-month period of 2014. The segment's total revenues grew 5%. Personal Banking's total revenues were up, mainly due to higher volumes of mortgage loans and home equity lines of credit. Commercial Banking's total revenues rose 6%, partly due to growth in loan and deposit volumes and to an increase in credit fees. The segment's contribution increased by $35 million or 6%, and its first-half provisions for credit losses were $9 million higher than in the same period of 2014. This change came from higher provisions for credit losses on personal and commercial loans despite lower provisions for credit losses on credit cards and a recovery of losses on real estate loans. At 57.8% for the six months ended April 30, 2015, the efficiency ratio improved by 0.5 percentage points when compared with the six-month period of 2014.

Wealth Management

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	2015	2014	% Change
Operating results excluding specified items(1)						
Net interest income	81	79	3	163	155	5
Fee-based revenues	191	161	19	370	316	17
Transaction-based and other revenues	87	92	(5)	171	185	(8)
Total revenues	359	332	8	704	656	7
Non-interest expenses	244	226	8	477	447	7
Contribution	115	106	8	227	209	9
Provisions for credit losses	1	–	–	1	1	–
Income before income taxes	114	106	8	226	208	9
Income taxes	30	28	7	59	54	9
Net income excluding specified items	84	78	8	167	154	8
Specified items after income taxes(1)	19	(9)		12	(17)	
Net income	103	69	49	179	137	31
Average assets	10,124	10,529	(4)	10,156	10,555	(4)
Average loans and acceptances	8,518	8,243	3	8,540	8,178	4
Net impaired loans	3	2		3	2	
Average deposits	24,350	24,270	–	24,438	24,353	–
Efficiency ratio excluding specified items(1)	68.0 %	68.1 %		67.8 %	68.1 %	

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

In the Wealth Management segment, net income totalled $103 million for the second quarter of 2015, up 49% from $69 million in the same quarter of 2014. Excluding specified items, which include a gain on the disposal of Fiera Capital shares as well as items related to the acquisitions in recent years, the segment's 2015 second-quarter net income totalled $84 million, up 8% from $78 million in the same quarter of 2014. The segment's second-quarter total revenues, excluding the specified items that include a $34 million gain on the disposal of Fiera Capital shares, amounted to $359 million versus $332 million in the second quarter of 2014, an 8% increase that came mainly from the higher fee-based revenues associated with growth in assets under administration and under management, partly offset by a decrease in the brokerage commissions on share and bond transactions.

Excluding the specified items related to the acquisitions in recent years and the underwriting fees associated with the Fiera Capital transaction, non-interest expenses stood at $244 million in the second quarter of 2015, up 8% from $226 million in the same quarter of 2014. This increase came mainly from the higher variable compensation associated with the segment's business volume growth and from an increase in salaries and employee benefits. At 68.0%, the efficiency ratio for the second quarter of 2015 was stable when compared to the same quarter of 2014.

For the six months ended April 30, 2015, the Wealth Management segment's net income totalled $179 million, up 31% from $137 million in the same period of 2014. Excluding specified items, net income totalled $167 million for the six months ended April 30, 2015, up $13 million or 8% from the same period of 2014. The segment's total revenues amounted to $704 million compared to $656 million during the six months ended April 30, 2014, and non-interest expenses stood at $477 million for the six months ended April 30, 2015 versus $447 million in the same period of 2014. These revenue and non-interest expense changes were driven by the same factors provided for the quarter. At 67.8% for the first six months of fiscal 2015, the efficiency ratio improved from 68.1% in the same six-month period of 2014.

Financial Markets

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	**2015**	2014	% Change
Operating results excluding specified items[2]						
Trading activity revenues						
Equities	**117**	75	56	**226**	163	39
Fixed-income	**55**	54	2	**121**	104	16
Commodities and foreign exchange	**29**	13	123	**86**	38	126
	201	142	42	**433**	305	42
Financial market fees	**81**	66	23	**139**	127	9
Gains (losses) on available-for-sale securities, net	**3**	2		**(4)**	13	
Banking services	**63**	61	3	**132**	119	11
Other	**80**	66	21	**146**	138	6
Total revenues	**428**	337	27	**846**	702	21
Non-interest expenses	**187**	162	15	**362**	329	10
Contribution	**241**	175	38	**484**	373	30
Provisions for credit losses	**–**	–		**–**	–	
Income before income taxes	**241**	175	38	**484**	373	30
Income taxes	**65**	47	38	**130**	100	30
Net income excluding specified items	**176**	128	38	**354**	273	30
Specified items after income taxes[2]	**(16)**	–		**(16)**	–	
Net income	**160**	128	25	**338**	273	24
Non-controlling interests	**2**	3		**5**	5	
Net income attributable to the Bank's shareholders	**158**	125	26	**333**	268	24
Average assets	**89,329**	82,054	9	**89,491**	83,839	7
Average loans and acceptances (Corporate Banking only)	**9,655**	8,189	18	**9,421**	7,915	19
Average deposits	**12,504**	10,490	19	**12,328**	10,075	22
Efficiency ratio excluding specified items[2]	**43.7 %**	48.1 %		**42.8 %**	46.9 %	

(1) See Note 21 to the consolidated financial statements.
(2) See the Financial Reporting Method section on page 4.

In the Financial Markets segment, net income totalled $160 million for the second quarter of 2015, up $32 million from $128 million in the same quarter of 2014. Excluding the specified item of $18 million ($16 million net of income taxes) for the share in the current tax asset write-down of an associate, the segment's net income totalled $176 million. On a taxable equivalent basis, the segment's second-quarter total revenues amounted to $428 million compared to $337 million in the second quarter of 2014, an increase that was driven by all revenue categories. The growth in trading activity revenues came mainly from the equities and the commodities and foreign exchange activities. Financial market fees were up thanks to greater year-over-year market activity for equity issuances. In addition, second-quarter other revenues rose 21% year over year, mainly due to gains on investments realized during the second quarter of 2015 and partly offset by lower revenues from the Credigy Ltd. subsidiary.

For the second quarter of 2015, non-interest expenses stood at $187 million, a $25 million year-over-year increase that was particularly due to the higher variable compensation associated with revenue growth, partly offset by reduced expenses at the Credigy Ltd. subsidiary. At 43.7% for the second quarter of 2015, the efficiency ratio improved by 4.4 percentage points. Provisions for credit losses were nil for both the second quarters of 2015 and 2014.

For the six months ended April 30, 2015, the segment's net income totalled $338 million, up $65 million or 24% from the same period in 2014. Excluding the above-described specified item, the segment's net income totalled $354 million for the six months ended April 30, 2015, up 30% from the same six-month period of 2014. Total first-half revenues on a taxable equivalent basis amounted to $846 million versus $702 million last year, a year-over-year increase of $144 million that was mainly due to higher trading activity revenues, particularly the equities and the commodities and foreign exchange activities. For the first six months of fiscal 2015, the segment recorded losses on available-for-sale securities, whereas gains had been recorded during the same six-month period of 2014.

Non-interest expenses for the six months ended April 30, 2015 were up when compared to the same period of 2014. The reasons for this increase were the same as those provided for the quarter. The segment did not record any provisions for credit losses for the six months ended April 30, 2015 and 2014.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Operating results excluding specified items[2]				
Net interest income	**(29)**	(7)	**(66)**	(12)
Non-interest income	**59**	37	**101**	65
Total revenues	**30**	30	**35**	53
Non-interest expenses	**52**	22	**104**	60
Income before income taxes	**(22)**	8	**(69)**	(7)
Income taxes	**(7)**	(4)	**(28)**	(16)
Net income excluding specified items	**(15)**	12	**(41)**	9
Specified items after income taxes[2]	**(10)**	(4)	**2**	25
Net income	**(25)**	8	**(39)**	34
Non-controlling interests	**14**	14	**29**	28
Net income attributable to the Bank's shareholders	**(39)**	(6)	**(68)**	6
Average assets	**37,278**	28,768	**35,480**	29,421

(1) See Note 21 to the consolidated financial statements.
(2) See the Financial Reporting Method section on page 4.

For the *Other* heading of segment results, there was a net loss of $25 million in the second quarter of 2015 compared to net income of $8 million in the same quarter of 2014. This decrease came from higher non-interest expenses as well as from specified items, net of income taxes, which consisted mainly of a $27 million gain on the disposal of restructured notes that was more than offset by $33 million in intangible asset impairment losses. Excluding specified items, there was a net loss of $15 million this second quarter versus net income of $12 million in the second quarter of 2014. This decrease came mainly from a higher compensation and employee benefits expense, from the compensatory tax on salaries, and from business development expenses.

For the six months ended April 30, 2015, there was a net loss of $39 million compared to net income of $34 million in the same quarter of 2014, for a change that is explained by the same reasons provided for the quarter as well as by a greater amount of revenues recorded in 2014 to reflect a rise in the fair value of the restructured notes. Excluding the specified items, there was a $41 million net loss for the six months ended April 30, 2015 compared to $9 million in net income for the same period of 2014, for a decrease that is explained by higher non-interest expenses.

Consolidated Balance Sheet

Assets

As at April 30, 2015, the Bank had total assets of $207.1 billion compared to $205.4 billion as at October 31, 2014, a $1.7 billion or 1% increase. Cash and deposits with financial institutions decreased by $1.6 billion due to a decrease in liquidities at the New York branch. Securities increased by $2.7 billion since October 31, 2014, essentially due to securities issued or guaranteed by Canada and the provinces, whereas securities purchased under reverse repurchase agreements and securities borrowed decreased by $6.3 billion since October 31, 2014.

As at April 30, 2015, loans and acceptances increased by $2.6 billion when compared to October 31, 2014 owing to growth in mortgage lending (including home equity lines of credit) and in the customers' liability under acceptances. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	**As at April 30, 2015**	As at October 31, 2014	As at April 30, 2014
Loans and acceptances			
Consumer	**28,890**	28,007	27,120
Residential mortgage	**40,507**	39,300	37,664
Credit card receivable	**1,994**	1,989	1,946
Business and government	**37,994**	37,477	35,417
	109,385	106,773	102,147

Consumer loans increased by 3%, primarily due to home equity lines of credit and personal loans. Rising 3%, residential mortgages also grew since October 31, 2014. Loans and acceptances to businesses have increased since October 31, 2014, mainly due to 8% growth in bankers' acceptances. When compared to a year ago, loans and acceptances increased by $7.3 billion or 7%. Consumer loans and residential mortgage loans rose, respectively, by 7% and 8% from a year ago. Loans and acceptances to businesses also contributed to the growth, rising 7% from a year ago, mainly because of corporate loan financing.

As at April 30, 2015, derivative financial instruments amounted to $10.6 billion, an increase of $3.5 billion since October 31, 2014. This increase should be analyzed along with the derivative financial instruments presented in liabilities, which, at $8.1 billion, were up $2.4 billion, resulting in a net increase of $1.1 billion since October 31, 2014.

Liabilities

As at April 30, 2015, the Bank had total liabilities of $196.4 billion compared to $194.9 billion as at October 31, 2014.

As at April 30, 2015, the Bank's total deposit liability was $122.0 billion versus $119.9 billion as at October 31, 2014, an increase of $2.1 billion or 2%. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at April 30, 2015	As at October 31, 2014	As at April 30, 2014
Balance sheet			
Deposits	**45,133**	44,963	45,614
Off-balance-sheet			
Full-service brokerage	**109,878**	104,525	100,909
Mutual funds	**20,625**	18,938	17,965
Other	**4,136**	3,988	3,841
	134,639	127,451	122,715
Total personal savings	**179,772**	172,414	168,329

As at April 30, 2015, personal deposits were $45.1 billion, relatively stable when compared to October 31, 2014. Since the beginning of the fiscal year, personal savings included in assets under administration and under management grew 6% due to acquisition-driven business growth and to stock market performance. Personal deposits were down $0.5 billion from a year ago, while personal savings included in assets under administration and under management increased by $11.9 billion.

At $69.8 billion, business and government deposits rose $2.4 billion since October 31, 2014. This increase was mainly due to the US$750 million and the 1.0 billion euro issuances of covered bonds during the six months ended April 30, 2015. At $7.1 billion, deposits from deposit-taking institutions decreased $0.5 billion since October 31, 2014, mainly due to deposits from U.S. government financial institutions. Other funding activities decreased since October 31, 2014, essentially due to obligations related to securities sold under repurchase agreements and securities loaned.

Equity

As at April 30, 2015, the Bank's equity was $10.7 billion, essentially unchanged from October 31, 2014. The increase in retained earnings and accumulated other comprehensive income was partly offset by the $200 million redemption of preferred shares.

As at May 22, 2015, there were 329,418,075 common shares and 17,052,747 stock options outstanding. For additional information on share capital, see Note 18 to the audited annual consolidated financial statements for the year ended October 31, 2014 and Note 13 to the consolidated financial statements of this quarter.

Acquisition and Disposal

Acquisition

During the quarter ended April 30, 2015, the Bank, through one of its subsidiaries, acquired tangible assets leased under operating leases for $634 million and recognized them in *Premises and equipment* on the Consolidated Balance Sheet.

Disposal

On March 12, 2015, through one of its subsidiaries, the Bank disposed of 9,083,000 Class A subordinate voting shares of Fiera Capital Corporation (Fiera Capital) at a per-share price of $12.60 for gross proceeds of $114 million. The Bank's ownership percentage in Fiera Capital now stands at 22% compared to 35% before the transaction. A gain of $34 million ($29 million net of income taxes), as well as $5 million in direct charges ($4 million net of income taxes), on this disposal of Fiera Capital shares were recognized in the *Non-interest income – Other* and *Non-interest expenses – Other* items, respectively, of the Consolidated Statement of Income for the quarter ended April 30, 2015 and were presented in the Wealth Management segment.

Events After the Consolidated Balance Sheet Date

Acquisition of an Equity Interest in an Associate

On March 25, 2015, the Bank announced its intention to acquire an equity interest in NSIA Participations (NSIA), a financial group headquartered in Abidjan, Côte d'Ivoire. Through this transaction, the Bank and Amethis Africa Finance (Amethis Finance) are acquiring the interest held by ECP Africa Fund III PCC in NSIA. The Bank will have a 20.9% interest, while that of Amethis Finance will be 5.4%. The transaction is expected to be concluded during the third quarter of fiscal 2015.

Repurchase of Common Shares

On May 7, 2015, the Bank announced that the Toronto Stock Exchange and the Office of the Superintendent of Financial Institutions (Canada) (OSFI) had approved the new normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period starting on May 11, 2015 and ending no later than May 10, 2016. The shares will be repurchased on the open market at market prices through the Toronto Stock Exchange. Amounts paid above the average book value of the common shares will be charged to *Retained earnings*.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2014. For additional information, see Note 29 to the audited annual consolidated financial statements for the year ended October 31, 2014.

Securitization and 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 *2014 Annual Report*. For additional information on guarantees and a description of obligations under certain indemnification agreements, see Note 26 to the audited annual consolidated financial statements for the year ended October 31, 2014.

For additional information about financial assets transferred but not derecognized and structured entities, see Notes 7 and 19, respectively, to the 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 OSFI, the financial statements are to be prepared in accordance with IFRS, as issued by the IASB and set out in the CPA Canada Handbook. None of the OSFI accounting requirements are exceptions to IFRS.

The 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, 2014, except for the accounting policy changes described below. Also described on the following page 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. Certain 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 *2014 Annual Report*.

Accounting Policy Changes

As at November 1, 2014, the Bank adopted an amended standard as well as a new interpretation, as described below.

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. Retrospective adoption of these amendments had no significant impact on the Bank's consolidated financial statements.

IFRIC Interpretation 21 – *Levies*
IFRIC Interpretation 21 clarifies the timing of the recognition of 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.* The Interpretation states that the obligating event, as set out in the relevant legislation, is the trigger for recognizing the liability. Therefore, if the obligating event occurs at a point in time, the liability is recognized at that point in time; if the obligating event occurs over a given period of time, the liability is recognized progressively over that period of time. Retrospective adoption of this interpretation had no significant impact on the Bank's consolidated financial statements.

Future Accounting Policy Changes

The Bank is currently assessing the impact that adoption of the following standards will have on its consolidated financial statements.

Effective Date – Early Adoption on November 1, 2017

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued a complete and final version of IFRS 9, which replaces the current standard on financial instruments. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting. Macro hedge accounting has been decoupled from IFRS 9 and will be considered and issued as a separate standard. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. With respect to measuring financial liabilities designated at fair value through profit or loss, the standard prescribes that fair value changes attributable to an entity's own credit risk be accounted for in *Other comprehensive income* unless the changes offset amounts recognized in *Net income*.

IFRS 9 also introduces a new, single impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. This model requires the recognition of 12-month expected credit losses as of the initial recognition date of a financial asset and recognition of lifetime expected losses if the financial instrument's credit risk has increased significantly since initial recognition.

As for the new hedge accounting model, it provides better alignment of hedge accounting with risk management activities. However, the current hedge accounting requirements may continue to be applied until the IASB finalizes its macro hedge accounting project.

The IASB requires IFRS 9 to be applied as of November 1, 2018 but permits early adoption. However, on January 9, 2015, OSFI issued the final version of the advisory, *Early Adoption of IFRS 9 Financial Instruments for Domestic Systemically Important Banks*, stating that it expects Domestic Systemically Important Banks, a group that includes the Bank, to adopt IFRS 9 as of November 1, 2017. As for the IFRS 9 provisions regarding own credit risk, OSFI has been permitting early adoption since February 2014. In general, IFRS 9 is to be applied retrospectively.

Effective Date – November 1, 2017

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively.

At its meeting on April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Early adoption is still permitted.

Financial Disclosure

During the second quarter of 2015, 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 the transparency and measurement of 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 $606 million as at April 30, 2015 ($626 million as at October 31, 2014).

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 presented in the *Supplementary Regulatory Capital Disclosure* report, which is available on the Bank's website at nbc.ca.

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, 2015, total commitments for this type of loan stood at $1,870 million ($1,207 million as at October 31, 2014). Details about other exposures are provided in the table on structured entities in Note 19 to the consolidated financial statements.

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. The Bank makes every effort to ensure full 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 *2014 Annual Report*, in this *Report to Shareholders*, and in the documents entitled *Supplementary Regulatory Capital Disclosure for the Second Quarter Ended April 30, 2015,* and *Supplementary Financial Information for the Second Quarter Ended April 30, 2015*, which are 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		
		2014 Annual Report	Report to Shareholders[1]	Supplementary Regulatory Capital Disclosure[1]
General				
1	Location of risk disclosures	10	18	
	Management's Discussion and Analysis	18, 54 to 93, 98 and 102	19 to 38	
	Consolidated Financial Statements	Notes 1, 7, 16, 23 and 30	Notes 6 and 15	
	Supplementary Regulatory Capital Disclosure			4 to 28
2	Risk terminology and risk measures	61 to 93		
3	Top and emerging risks	61 and 62		
4	New key regulatory ratios	55, 56, 82 and 87	19, 20, 30, 31 and 65	
Risk governance and risk management				
5	Risk management organization, processes and key functions	63 to 66		
6	Risk management culture	63 and 64		
7	Key risks by business segment, risk management and risk appetite	18, 63 and 64		
8	Stress testing	54, 64, 72 and 80 to 84		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	55 and 56	19 and 20	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			4 to 7
11	Movements in regulatory capital	58	21	
12	Capital planning	54 to 60		
13	RWA by business segment and by risk type	18 and 59	22	8
14	Capital requirements by risk and RWA calculation method	59 and 67 to 72	22	8
15	Banking book credit risk	59	22	8 and 11 to 16
16	Movements in RWA by risk type	60	23	9
17	Assessment of credit risk model performance	66, 70 and 78		11 to 17
Liquidity				
18	Liquidity management and components of the liquidity buffer	82 to 86	30 to 32	
Funding				
19	Summary of encumbered and unencumbered assets	85 and 86	33	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	192 to 195	35 to 38	
21	Funding strategy and funding sources	87 to 89	34	
Market risk				
22	Linkage of market risk measures to balance sheet	76 and 77	27 and 28	
23	Market risk factors	75, 78 to 81, 178 and 179	28 to 30	
24	VaR: assumptions, limitations and validation procedures	78 to 80		
25	Stress tests, stressed VaR and backtesting	78 to 81		
Credit risk				
26	Credit risk exposures	68, 71 and 146 to 149	25 and 58 to 60	10 to 24 and 18 to 23[2]
27	Policies for identifying impaired loans	73, 118 and 119		
28	Movements in impaired loans and allowances for credit losses	98, 102 and 146 to 148	58 to 60	20
29	Counterparty credit risk relating to derivatives transactions	73, 74 and 159 to 161	26	25
30	Credit risk mitigation	72 to 74		22 and 24
Other risks				
31	Other risks: governance, measurement and management	66 and 90 to 92		
32	Publicly known risk events	90	No risk event	

(1) For the second quarter ended April 30, 2015.
(2) These pages are included in the document entitled *Supplementary Financial Information for the Second Quarter Ended April 30, 2015.*

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 that it is prudently managing such capital in view of its 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 54 to 60 of the Bank's *2014 Annual Report*.

Regulatory Environment

The Basel III regulatory framework sets out transitional arrangements for the period of 2013 to 2019. OSFI 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 adheres to the guidelines of the Basel Committee on Banking Supervision (BCBS) and, in addition to applying the phase-out rules for non-qualifying capital instruments, 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 for each quarter until the start of 2019. Nevertheless, OSFI is requiring Canadian banks to meet the minimum "all-in" requirements applicable for 2019.

Consequently, the Bank must maintain a Common Equity Tier 1 (CET1) capital ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a Total capital ratio of at least 10.5%, including the 2.5% capital conservation buffer for all ratios. 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 1.0% 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 those measures, OSFI is now requiring that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. Instruments issued before January 1, 2013 that would be Basel III compliant if it were not for the absence of the NVCC clause are grandfathered and will be phased out over a period of 10 years.

To ensure an implementation similar to that in other countries, OSFI has decided to phase in the Credit Valuation Adjustment (CVA) charge over a period of five years beginning in 2014. For 2015, 64%, 71% 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.

Since January 1, 2015, OSFI has been requiring Canadian banks to meet the new Basel III leverage ratio. The Basel III leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure. Banks must meet a minimum requirement of 3.0%. Until the first quarter of 2018, however, this ratio will remain subject to an observation period so that the BCBS or OSFI can increase the minimum requirement if deemed necessary.

The Bank ensures that its capital levels are always above the minimum regulatory capital requirements for OSFI's "all-in" ratios. By maintaining a strong capital structure, the Bank can cover the risks inherent to its business activities, support its business segments and protect its clients. Recognizing the importance of having a strong capital position, the Bank's objective is to maintain a 9.5% CET1.

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

Lastly, in the federal budget tabled on April 21, 2015, the Government of Canada confirmed that it would be implementing the rules set out in the *Taxpayer Protection and Bank Recapitalization Regime Consultation Paper*, which outlines a proposed bail-in regime applicable to D-SIBs that is in line with key international standards such as the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions*. Under the proposed regime, the Government of Canada would be granted two significant conversion powers with respect to the outstanding capital and debt of D-SIBs: (i) first, the Canadian government would be granted the power to permanently convert eligible liabilities of a D-SIB ("eligible liabilities" consisting solely of long-term senior debt, i.e., senior unsecured debt that is tradable and transferable with an original term of over 400 days such as senior debt securities) into common equity, and (ii) the Canadian government would be granted the power to permanently cancel the D-SIB's outstanding shares. Each of those powers would be exercisable only if the following two preconditions were met: i) OSFI would need to have determined that the D-SIB has ceased or is about to cease being viable and ii) the full conversion of the D-SIB's securities following the occurrence of a trigger event under NVCC provisions would need to have occurred. The proposed conversion power would apply only to eligible liabilities issued after the implementation of the regime with no retroactive application to existing debt. The implementation date of the regime has not yet been determined.

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

	Regulatory ratios		Minimum regulatory ratios to be maintained		
	As at April 30, 2015	As at October 31, 2014	BCBS 2015	OSFI 2015 (1)	OSFI January 1, 2016 (1)(2)
Capital ratios					
Common Equity Tier 1 (CET1)	**9.5 %**	9.2 %	4.5 %	7.0 %	8.0 %
Tier 1	**12.4 %**	12.3 %	6.0 %	8.5 %	9.5 %
Total	**14.6 %**	15.1 %	8.0 %	10.5 %	11.5 %
Leverage ratio(3)	**3.7 %**		n.a.	3.0 %	3.0 %

n.a. Not applicable
(1) For the capital ratios, includes the 2.5% conservation buffer.
(2) For the capital ratios, includes a 1% surcharge applicable to D-SIBs.
(3) The ratio came into effect on January 1, 2015.

Management Activities

On November 15, 2014, the Bank redeemed all of the 8,000,000 issued and outstanding Non-Cumulative Series 16 First Preferred Shares at a per-share price of $25.00 plus the periodic declared and unpaid dividend. These instruments had already been excluded from the capital ratio calculations as at October 31, 2014.

On December 22, 2014, the Bank redeemed $350 million of the medium-term notes maturing on December 22, 2019 at a price equal to their nominal value plus accrued interest.

On May 7, 2015, the Bank announced that the Toronto Stock Exchange and OSFI had approved the new normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period starting on May 11, 2015 and ending no later than May 10, 2016.

Movement in Regulatory Capital[1]

(millions of Canadian dollars)	Six months ended April 30, 2015
Common Equity Tier 1 (CET1) capital	
Balance at beginning	5,985
Issuance of common shares (including Stock Option Plan)	30
Repurchase of common shares	–
Contributed surplus	7
Dividends on preferred and common shares	(352)
Net income attributable to the Bank's shareholders	785
Removal of own credit spread net of income taxes	10
Other	(78)
Movements in accumulated other comprehensive income	
Translation adjustments	(12)
Available-for-sale securities	(2)
Other	29
Change in goodwill and intangible assets (net of related tax liability)	(60)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	15
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments	(13)
Balance at end	6,344
Additional Tier 1 capital	
Balance at beginning	1,998
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	(3)
Balance at end	1,995
Total Tier 1 capital	8,339
Tier 2 capital	
Balance at beginning	1,885
New Tier 2 eligible capital issuances	–
Redeemed capital	(350)
Change in non-qualifying Tier 2 subject to phase-out	–
Change in eligible collective allowances	–
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	1,535
Total regulatory capital	9,874

(1) Figures are calculated using the "all-in" basis.

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) increased by $2.3 billion, totalling $67.1 billion as at April 30, 2015 compared to $64.8 billion as at October 31, 2014. This increase was mainly due to organic growth. The CET1 RWA are presented in the following table.

Capital Adequacy Under Basel III[1]

(millions of Canadian dollars)					As at April 30, 2015		As at October 31, 2014
	Exposure at default				Risk-weighted assets	Capital requirement[2]	Risk-weighted assets
		Standardized Approach	Advanced IRB Approach	Other	Total		Total
Credit risk							
Retail							
Residential mortgages	42,480	285	4,635	–	4,920	394	4,619
Qualifying revolving retail	5,090	–	1,017	–	1,017	81	1,022
Other retail	13,106	984	4,605	–	5,589	447	5,042
Non-retail							
Corporate	52,166	2,008	23,675	–	25,683	2,055	23,434
Sovereign	21,917	–	633	–	633	51	529
Financial institutions	2,795	105	641	–	746	60	1,030
Banking book equities[3]	633	–	633	–	633	51	478
Securitization	4,087	–	1,582	–	1,582	127	2,173
Other assets	25,050	–	–	4,754	4,754	380	5,047
Counterparty credit risk							
Corporate	4,551	34	35	–	69	5	112
Sovereign	8,784	–	13	–	13	1	9
Financial institutions	62,613	–	1,477	–	1,477	118	1,827
Trading portfolio	11,394	204	3,368	–	3,572	286	3,275
Credit valuation adjustment charge		2,395	–	–	2,395	192	1,828
Regulatory scaling factor		–	2,511	–	2,511	201	2,357
Total – Credit risk	254,666	6,015	44,825	4,754	55,594	4,449	52,782
Market risk							
VaR		–	731	–	731	59	860
Stressed VaR		–	953	–	953	76	1,218
Interest-rate-specific risk		864	–	–	864	69	1,239
Total – Market risk		864	1,684	–	2,548	204	3,317
Operational risk		8,929	–	–	8,929	714	8,719
Total	254,666	15,808	46,509	4,754	67,071	5,367	64,818

(1) Figures are presented on an "all-in" basis.
(2) The capital requirement is equal to 8% of risk-weighted assets.
(3) Calculated using the simple risk-weighted method.

Risk-Weighted Assets Movement by Key Drivers[1]

(millions of Canadian dollars)				Quarter ended
	April 30, 2015			January 31, 2015
	Non-counterparty credit risk	Counterparty credit risk[2]	Total	Total
Credit risk – Risk-weighted assets at beginning	46,806	7,727	54,533	52,782
Book size	512	332	844	757
Book quality	976	(413)	563	500
Model updates	–	–	–	(229)
Methodology and policy	–	–	–	–
Acquisitions and disposals	–	–	–	–
Foreign exchange movements	(226)	(120)	(346)	723
Credit risk – Risk-weighted assets at end	48,068	7,526	55,594	54,533
Market risk – Risk-weighted assets at beginning			2,878	3,317
Movement in risk levels[3]			(330)	(439)
Model updates			–	–
Methodology and policy			–	–
Acquisitions and disposals			–	–
Market risk – Risk-weighted assets at end			2,548	2,878
Operational risk – Risk-weighted assets at beginning			8,853	8,719
Movement in risk levels			76	134
Acquisitions and disposals			–	–
Operational risk – Risk-weighted assets at end			8,929	8,853
Risk-weighted assets at end			67,071	66,264

(1) Figures are presented on an "all-in" basis.
(2) Calculated based on CET1 risk-weighted assets.
(3) Also includes foreign exchange movement that is not considered material.

For the quarter ended January 31, 2015, the change in the "Model Updates" line reflects revisions to the parameters of the model for exposures related to derivative financial instruments.

Regulatory Ratios Under Basel III

The CET1 capital ratio, determined using the "all-in" methodology, was 9.5% as at April 30, 2015 versus 9.2% as at October 31, 2014. The increase in the CET1 capital ratio was essentially due to net income, net of dividends, partly offset by the increase in risk-weighted assets. The Tier 1 and the Total capital ratios, determined using the "all-in" methodology were, respectively, 12.4% and 14.6% as at April 30, 2015 versus 12.3% and 15.1% as at October 31, 2014. The change in the Total capital ratio stems essentially from the above-mentioned factors and from the redemption of the subordinated debt for $350 million.

The leverage ratio, determined using the "all-in" methodology, was 3.7% as at April 30, 2015.

Regulatory Capital and Ratios Under Basel III(1)

(millions of Canadian dollars)	As at April 30, 2015	As at October 31, 2014
Capital		
Common Equity Tier 1 (CET1)	6,344	5,985
Tier 1(2)	8,339	7,983
Total(2)	9,874	9,868
Risk-weighted assets		
Common Equity Tier 1 (CET1) capital	67,071	64,818
Tier 1 capital	67,333	65,074
Total capital	67,557	65,459
Capital ratios		
Common Equity Tier 1 (CET1)	9.5 %	9.2 %
Tier 1(2)	12.4 %	12.3 %
Total(2)	14.6 %	15.1 %
Leverage ratio(3)	3.7 %	

(1) Figures are presented on an "all-in" basis.
(2) Figures as at October 31, 2014 include the redemption of the Series 16 preferred shares on November 15, 2014.
(3) The ratio came into effect on January 1, 2015.

Dividends

On May 26, 2015, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 52 cents per common share, up 2 cents or 4%, payable on August 1, 2015 to shareholders of record on June 22, 2015.

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 risk 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 *2014 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 significant losses.

Certain risks are discussed below. For additional information, see the Risk Management and Other Risk Factors sections on pages 61 to 93 of the *2014 Annual Report*. Risk management information is also provided in Note 6 to the 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 shown 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 Asset Categories

(millions of Canadian dollars)						As at April 30, 2015	As at October 31, 2014
	Drawn	Undrawn commitments	Repo-style transactions[1]	OTC derivatives	Other off-balance-sheet items[2]	Total	Total
Retail							
Residential mortgages	36,865	5,615	–	–	–	42,480	40,850
Qualifying revolving retail	2,648	2,442	–	–	–	5,090	5,027
Other retail	11,826	1,267	–	–	13	13,106	12,280
	51,339	9,324	–	–	13	60,676	58,157
Non-retail							
Corporate	36,426	13,179	4,546	4	2,562	56,717	54,954
Sovereign	18,341	3,479	8,464	321	96	30,701	35,978
Financial institutions	1,861	277	61,896	717	657	65,408	56,973
	56,628	16,935	74,906	1,042	3,315	152,826	147,905
Trading portfolio	–	–	–	11,394	–	11,394	9,981
Securitization	1,131	–	–	–	2,956	4,087	4,145
Total – Gross Credit Risk	109,098	26,259	74,906	12,436	6,284	228,983	220,188
Standardized Approach	6,839	304	1,890	372	513	9,918	10,088
AIRB Approach	102,259	25,955	73,016	12,064	5,771	219,065	210,100
Total – Gross Credit Risk	109,098	26,259	74,906	12,436	6,284	228,983	220,188

(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, 2015* and in *Supplementary Regulatory Capital Disclosure for the Second Quarter Ended April 30, 2015,* which are 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, 2015			As at October 31, 2014
			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	**187,176**	**303,423**	**167,035**	67,463	254,279	186,379
Foreign exchange contracts	**109**	**–**	**185,533**	166	–	145,623
Equity, commodity and credit derivative contracts	**11,685**	**1,003**	**29,206**	14,215	672	30,164

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 market making, trading, investing and asset/liability management activities.

The tables on the following pages 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, 2015
		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	6,470	62	6,128	280	Interest rate[3]
Securities					
At fair value through profit or loss	43,818	41,138	2,680	–	Interest rate[3] and other[4]
Available-for-sale	11,832	–	11,832	–	Interest rate[3] and equity[5]
Securities purchased under reverse repurchase agreements and securities borrowed	18,185	–	18,185	–	Interest rate[3][6]
Loans, net of allowances	99,161	3,386	95,775	–	Interest rate[3]
Customers' liability under acceptances	9,661	–	9,661	–	Interest rate[3]
Derivative financial instruments	10,618	9,028	1,590	–	Interest rate
Purchased receivables	1,234	–	1,234	–	Interest rate
Defined benefit asset	164	–	164	–	Other
Other	5,980	–	–	5,980	
	207,123	53,614	147,249	6,260	
Liabilities					
Deposits	122,046	3,059	118,987	–	Interest rate[3]
Acceptances	9,661	–	9,661	–	Interest rate[3]
Obligations related to securities sold short	17,631	17,631	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	12,943	–	12,943	–	Interest rate[3][6]
Derivative financial instruments	8,140	6,971	1,169	–	Interest rate
Liabilities related to transferred receivables	18,332	3,326	15,006	–	Interest rate[3]
Defined benefit liability	192	–	192	–	Other
Other	5,924	48	–	5,876	
Subordinated debt	1,529	–	1,529	–	Interest rate[3]
	196,398	31,035	159,487	5,876	

(1) Trading positions whose risk measures are VaR and SVaR. See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk Management section of the *2014 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented on the following pages and in the Market Risk Management section of the *2014 Annual Report*.
(4) See the Master Asset Vehicles section in Note 6 to the audited annual consolidated financial statements as at October 31, 2014.
(5) The fair value of equity securities classified as available-for-sale is disclosed in Notes 3 and 5 to the consolidated financial statements.
(6) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.

(millions of Canadian dollars) As at October 31, 2014

	Balance sheet	Market risk measures Trading(1)	Non-Trading(2)	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	8,086	89	7,464	533	Interest rate(3)
Securities					
At fair value through profit or loss	43,200	40,574	2,626	–	Interest rate(3) and other(4)
Available-for-sale	9,753	–	9,753	–	Interest rate(3) and equity(5)
Securities purchased under reverse repurchase agreements and securities borrowed	24,525	–	24,525	–	Interest rate(3)(6)
Loans, net of allowances	97,243	2,883	94,360	–	Interest rate(3)
Customers' liability under acceptances	8,926	–	8,926	–	Interest rate(3)
Derivative financial instruments	7,092	6,270	822	–	Interest rate(7)
Purchased receivables	790	–	790	–	Interest rate
Defined benefit asset	185	–	185	–	Other(8)
Other(9)	5,629	–	–	5,629	
	205,429	49,816	149,451	6,162	
Liabilities					
Deposits	119,883	2,726	117,157	–	Interest rate(3)
Acceptances	8,926	–	8,926	–	Interest rate(3)
Obligations related to securities sold short	18,167	18,167	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	16,780	–	16,780	–	Interest rate(3)(6)
Derivative financial instruments	5,721	5,400	321	–	Interest rate(7)
Liabilities related to transferred receivables	17,079	2,802	14,277	–	Interest rate(3)
Defined benefit liability	177	–	177	–	Other(8)
Other	6,313	133	–	6,180	
Subordinated debt	1,881	–	1,881	–	Interest rate(3)
	194,927	29,228	159,519	6,180	

(1) Trading positions whose risk measures are VaR and SVaR. See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk Management section of the *2014 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) See the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented on the following pages and in the Market Risk Management section of the *2014 Annual Report*.
(4) See the Master Asset Vehicles section in Note 6 to the audited annual consolidated financial statements as at October 31, 2014.
(5) The fair value of equity securities classified as available-for-sale is disclosed in Notes 3 and 5 to the consolidated financial statements.
(6) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.
(7) See Notes 16 and 17 to the audited annual consolidated financial statements as at October 31, 2014.
(8) See Note 23 to the audited annual consolidated financial statements as at October 31, 2014.
(9) An amount of $790 million classified in *Other assets* as at October 31, 2014 is now presented separately in *Purchased receivables* on the Consolidated Balance Sheet.

Trading Activities

The first table below shows the VaR distribution of trading portfolios by risk category as well as their 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, 2015				January 31, 2015		April 30, 2014		**April 30, 2015**	April 30, 2014
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(3.4)**	**(5.6)**	**(4.4)**	**(4.4)**	(5.4)	(5.4)	(4.8)	(6.1)	**(4.9)**	(5.3)
Exchange rate	**(1.6)**	**(2.8)**	**(2.0)**	**(2.1)**	(1.5)	(1.9)	(1.8)	(2.1)	**(1.8)**	(1.3)
Equity	**(2.3)**	**(4.6)**	**(3.5)**	**(2.3)**	(3.6)	(4.3)	(4.9)	(4.7)	**(3.6)**	(5.1)
Commodity	**(0.7)**	**(1.5)**	**(1.0)**	**(0.8)**	(1.2)	(0.9)	(0.9)	(0.9)	**(1.1)**	(0.9)
Correlation effect(2)	**n.m.**	**n.m.**	**4.7**	**2.9**	5.9	6.5	5.5	6.8	**5.4**	5.3
Total trading VaR	**(5.2)**	**(7.0)**	**(6.2)**	**(6.7)**	(5.8)	(6.0)	(6.9)	(7.0)	**(6.0)**	(7.3)

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 using a 99% confidence level.
(2) The total trading VaR is lower than the sum of individual VaRs by risk factor, due to the correlation effect.

SVaR of Trading Portfolios by Risk Category(1)

(millions of Canadian dollars)								Quarter ended		Six months ended
				April 30, 2015	January 31, 2015		April 30, 2014		**April 30, 2015**	April 30, 2014
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(5.8)**	**(9.6)**	**(7.7)**	**(7.6)**	(10.1)	(9.5)	(9.8)	(11.1)	**(8.9)**	(10.7)
Exchange rate	**(2.3)**	**(4.5)**	**(3.0)**	**(2.7)**	(3.3)	(2.7)	(4.3)	(4.1)	**(3.1)**	(3.2)
Equity	**(3.3)**	**(12.0)**	**(5.0)**	**(3.9)**	(5.5)	(5.4)	(13.2)	(12.1)	**(5.2)**	(13.3)
Commodity	**(0.7)**	**(3.9)**	**(1.9)**	**(1.7)**	(2.2)	(2.5)	(1.4)	(0.6)	**(2.0)**	(1.2)
Correlation effect(2)	**n.m.**	**n.m.**	**9.6**	**9.9**	11.9	11.2	13.7	13.8	**10.6**	13.2
Total trading SVaR	**(6.0)**	**(10.9)**	**(8.0)**	**(6.0)**	(9.2)	(8.9)	(15.0)	(14.1)	**(8.6)**	(15.2)

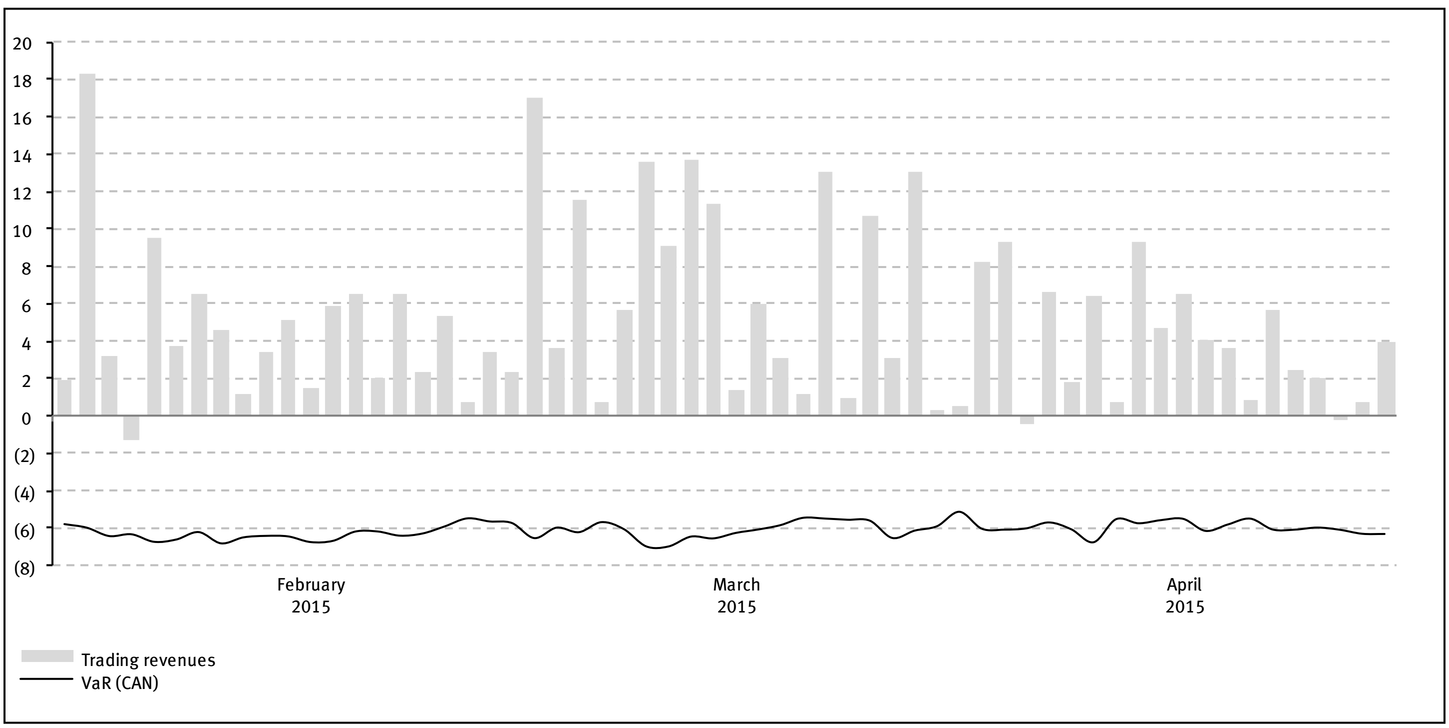
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR is lower than the sum of individual SVaRs by risk factor, due to the correlation effect.

Average trading VaR was $6.2 million for the quarter ended April 30, 2015 compared to $5.8 million for the quarter ended January 31, 2015. Trading VaR was relatively stable during the quarter and then closed out slightly above average at $6.7 million as at April 30, 2015. Average trading SVaR was $8.0 million for the second quarter of 2015, down $1.2 million from the preceding quarter. This change was mainly due to lower interest rate and equity risk. Trading SVaR peaked in March 2015 and subsequently decreased towards the end of the quarter. In addition, trading SVaR was lower than trading VaR as at April 30, 2015. Pursuant to a regular review of the SVaR period, an updated reference period may be implemented.

Daily Trading Revenues

The following table shows daily trading revenues and VaR. Daily trading revenues were positive more than 95% of the days for the quarter ended April 30, 2015. Net daily trading losses in excess of $1 million were recorded on one day. None of these losses exceeded the VaR limit.

Quarter ended April 30, 2015
(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, 2015
			Impact on equity			Impact on net interest income
	Canadian dollar	U.S. dollar	Total	Canadian dollar	U.S. dollar	Total
100-basis-point increase in the interest rate	(129)	7	(122)	9	9	18
100-basis-point decrease in the interest rate	72	(9)	63	(26)	(10)	(36)

(millions of Canadian dollars)						As at October 31, 2014
			Impact on equity			Impact on net interest income
	Canadian dollar	U.S. dollar	Total	Canadian dollar	U.S. dollar	Total
100-basis-point increase in the interest rate	(91)	3	(88)	8	12	20
100-basis-point decrease in the interest rate	59	(6)	53	(15)	(15)	(30)

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity 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 commitments to extend credit and non-fixed-term deposits.

Regulatory Environment

The regulatory environment surrounding liquidity has evolved significantly in recent years. The Bank collaborates with national and international regulators to implement regulatory liquidity standards. The guiding principles, standards and guidelines issued in recent years by the BCBS and OSFI are described on page 87 of the *2014 Annual Report*.

With regard to the BCBS's intraday liquidity report entitled *Monitoring Tools for Intraday Liquidity Management*, which presents metrics and stress tests designed to improve monitoring and management of intraday liquidity risk, the proposed implementation schedule ranges from January 2015 to January 2017, at the latest. As for the *Liquidity Adequacy Requirements* (LAR) guideline issued by OSFI, the Bank has been in compliance with the liquidity coverage ratio (LCR) and net cumulative cash flow (NCCF) metric since their coming into force on January 1, 2015. The LAR guideline will be reviewed annually to reflect both national and international regulatory developments. Lastly, the Bank is currently assessing the impact of adopting the bail-in regime applicable to D-SIBs, the implementation of which was confirmed in the federal budget of April 21, 2015.

In December 2014, the BCBS issued a consultative document on *Net Stable Funding Ratio Disclosure Standards*. This document sets out a common framework for the public disclosure of the net stable funding ratio (NSFR). Comments from the banking industry were expected by March 2015. Public disclosure of the NSFR would not be required before its formal implementation date, i.e., on January 1, 2018.

Liquidity Coverage Ratio (LCR)

The LCR was introduced to ensure banks maintain sufficient liquidity to withstand periods of severe short-term stress. While the Bank for International Settlements (BIS) had prescribed a minimum LCR requirement of 60%, OSFI has been requiring Canadian banks to maintain a minimum LCR of 100% since January 1, 2015. An LCR above 100% ensures that banks are holding sufficient high-quality liquid assets (HQLA) to cover cash outflows given a severe, 30-day liquidity crisis. The assumptions underlying the LCR scenario were established by the BCBS and OSFI.

The following table provides LCR data calculated using averages from the three month-ends in the quarter. For the quarter ended April 30, 2015, the Bank's average LCR was 121.8%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements[(1)]

(millions of Canadian dollars)		As at April 30, 2015	
		Total unweighted value	Total weighted value
High-quality liquid assets (HQLA)			
1	Total HQLA	n.a.	30,462
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	32,665	2,164
3	Stable deposits	15,756	473
4	Less stable deposits	16,909	1,691
5	Unsecured wholesale funding, of which:	40,450	23,866
6	Operational deposits (all counterparties)	9,498	2,279
7	Non-operational deposits (all counterparties)	22,534	13,169
8	Unsecured debt	8,418	8,418
9	Secured wholesale funding	n.a.	1,570
10	Additional requirements, of which:	34,413	8,994
11	Outflows related to derivative exposures and other collateral requirements	8,423	4,991
12	Outflows related to loss of funding on secured debt securities	615	615
13	Backstop liquidity and credit enhancement facilities and commitments to extend credit	25,375	3,388
14	Other contractual commitments to extend credit	810	380
15	Other contingent commitments to extend credit	27,337	636
16	Total cash outflows	n.a.	37,610
Cash inflows			
17	Secured lending (e.g. reverse repos)	49,648	4,383
18	Inflows from fully performing exposures	7,482	4,021
19	Other cash inflows	4,307	4,307
20	Total cash inflows	61,437	12,711
			Total adjusted value
21	Total HQLA	n.a.	30,287
22	Total net cash outflows	n.a.	24,899
23	Liquidity coverage ratio (%)[(2)]	n.a.	121.8 %

n.a. Not applicable
(1) OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
(2) The data in this table has been calculated using averages from the three month-ends in the quarter. Consequently, the LCR ratio (line 23) is an average ratio for the three month-ends of the quarter and might not equal the LCR ratio calculated using lines 21 and 22.

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

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 maturing in less than 30 days. The majority of unencumbered liquid assets are held in Canadian or U.S. dollars. Moreover, all assets that can be quickly monetized are considered liquid assets. The Bank does not consider any central bank's emergency liquidity facilities in its liquidity buffer. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio

(millions of Canadian dollars)					As at April 30, 2015	As at October 31, 2014
	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	6,470	–	6,470	1,488	4,982	7,032
Securities						
Issued or guaranteed by Canada, U.S. Treasury, other U.S. agencies and other foreign governments	17,563	17,035	34,598	24,149	10,449	10,020
Issued or guaranteed by provinces	12,969	10,737	23,706	16,990	6,716	4,220
Issued or guaranteed by municipalities and school boards	1,094	125	1,219	188	1,031	1,156
Other debt securities	2,983	1,187	4,170	1,812	2,358	4,177
Equity securities	19,903	40,050	59,953	42,443	17,510	19,353
Loans						
Securities backed by insured residential mortgages	2,580	–	2,580	490	2,090	1,602
As at April 30, 2015	63,562	69,134	132,696	87,560	45,136	
As at October 31, 2014	62,019	68,510	130,529	82,969		47,560

(millions of Canadian dollars)	As at April 30, 2015	As at October 31, 2014
Unencumbered liquid assets by entity		
National Bank (parent)	34,233	32,104
Domestic subsidiaries	4,564	7,882
Foreign subsidiaries and branches	6,339	7,574
	45,136	47,560

(millions of Canadian dollars)	As at April 30, 2015	As at October 31, 2014
Unencumbered liquid assets by currency		
Canadian dollar	29,457	29,091
U.S. dollar	15,068	17,719
Other currencies	611	750
	45,136	47,560

Liquid Asset Portfolio – Average(4)

(millions of Canadian dollars)					Quarter ended April 30, 2015
	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	7,158	–	7,158	1,478	5,680
Securities					
Issued or guaranteed by Canada, U.S. Treasury, other U.S. agencies and other foreign governments	17,611	18,466	36,077	26,282	9,795
Issued or guaranteed by provinces	13,846	11,875	25,721	19,189	6,532
Issued or guaranteed by municipalities and school boards	1,053	136	1,189	118	1,071
Other debt securities	3,365	1,291	4,656	1,425	3,231
Equity securities	19,939	39,095	59,034	41,504	17,530
Loans					
Securities backed by insured residential mortgages	2,675	–	2,675	655	2,020
	65,647	70,863	136,510	90,651	45,859

(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 funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered liquid assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities and untransferred but legally restricted amounts.
(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, 2015
		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	40	1,448	4,982	–	6,470	0.7
Securities	16,603	400	37,509	1,138	55,650	8.2
Securities purchased under reverse repurchase agreements and securities borrowed	–	17,630	555	–	18,185	8.5
Loans, net of allowances	28,591	–	2,090	68,480	99,161	13.8
Customers' liability under acceptances	–	–	–	9,661	9,661	–
Derivative financial instruments	–	–	–	10,618	10,618	–
Due from clients, dealers and brokers	–	–	–	582	582	–
Purchased receivables	–	–	–	1,234	1,234	–
Investments in associates and joint ventures	–	–	–	655	655	–
Premises and equipment	–	–	–	964	964	–
Goodwill	–	–	–	1,274	1,274	–
Intangible assets	–	–	–	1,022	1,022	–
Other assets	–	–	–	1,647	1,647	–
	45,234	19,478	45,136	97,275	207,123	31.2

(millions of Canadian dollars)						As at October 31, 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	40	1,014	7,032	–	8,086	0.5
Securities	18,743	400	32,569	1,241	52,953	9.3
Securities purchased under reverse repurchase agreements and securities borrowed	–	18,168	6,357	–	24,525	8.8
Loans, net of allowances	25,631	–	1,602	70,010	97,243	12.5
Customers' liability under acceptances	–	–	–	8,926	8,926	–
Derivative financial instruments	–	–	–	7,092	7,092	–
Due from clients, dealers and brokers	–	–	–	861	861	–
Purchased receivables	–	–	–	790	790	–
Investments in associates and joint ventures	–	–	–	697	697	–
Premises and equipment	–	–	–	380	380	–
Goodwill	–	–	–	1,272	1,272	–
Intangible assets	–	–	–	998	998	–
Other assets[4]	–	–	–	1,606	1,606	–
	44,414	19,582	47,560	93,873	205,429	31.1

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

(4) An amount of $790 million classified in *Other assets* as at October 31, 2014 is now presented separately in *Purchased receivables* on the Consolidated Balance Sheet.

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

(millions of Canadian dollars)								As at April 30, 2015[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]	3,583	75	–	35	3,693	15	60	3,768
Certificates of deposit and commercial paper[3]	538	1,580	4,888	1,916	8,922	1,810	301	11,033
Asset-backed commercial paper	–	–	–	–	–	–	–	–
Senior unsecured medium-term notes[4]	795	1,242	1,327	1,550	4,914	2,573	6,480	13,967
Senior unsecured structured notes	55	47	62	10	174	–	751	925
Covered bonds and asset-backed securities								
Mortgage securitization	17	368	27	1,054	1,466	2,543	14,323	18,332
Covered bonds	–	–	–	–	–	2,417	4,942	7,359
Securitization of credit card receivables	–	550	400	–	950	–	373	1,323
Subordinated liabilities[5]	–	–	–	508	508	1,013	8	1,529
Other	–	–	–	–	–	–	–	–
	4,988	3,862	6,704	5,073	20,627	10,371	27,238	58,236
Secured funding	17	918	427	1,054	2,416	4,960	19,638	27,014
Unsecured funding	4,971	2,944	6,277	4,019	18,211	5,411	7,600	31,222
	4,988	3,862	6,704	5,073	20,627	10,371	27,238	58,236
As at October 31, 2014	3,538	3,327	1,988	10,664	19,517	8,586	24,442	52,545

(1) Bankers' acceptances are not included in this table.
(2) Deposits from banks correspond to all term deposits from financial institutions such as banks, broker-dealers, pension funds, trust companies and other institutions.
(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, 2015
	One-notch downgrade	Two-notch downgrade	Three-notch downgrade
Derivatives[1]	53	83	114
Other[2]	–	199	199

(1) Contractual requirements related to agreements known as Credit Support Annexes.
(2) Contractual requirements related to the margin funding facility of the MAV conduits.

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, 2015 with comparative figures as at October 31, 2014. 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, 2015
	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	4,635	34	–	1	–	–	–	38	1,762	6,470
Securities										
At fair value through profit or loss	538	1,352	668	761	1,174	3,506	9,620	8,459	17,740	43,818
Available-for-sale	31	430	70	149	109	207	5,044	5,039	753	11,832
	569	1,782	738	910	1,283	3,713	14,664	13,498	18,493	55,650
Securities purchased under reverse repurchase agreements and securities borrowed	6,522	2,980	4,861	–	–	1,505	1,106	–	1,211	18,185
Loans and acceptances(1)										
Residential mortgage	1,333	1,827	2,127	2,127	2,180	8,175	21,889	593	256	40,507
Personal and credit card	363	494	645	650	814	2,274	6,419	1,702	17,523	30,884
Business and government	3,358	1,799	1,434	1,573	1,370	2,262	6,211	1,717	8,609	28,333
Customers' liability under acceptances	8,392	877	392	–	–	–	–	–	–	9,661
Allowances for credit losses									(563)	(563)
	13,446	4,997	4,598	4,350	4,364	12,711	34,519	4,012	25,825	108,822
Other										
Derivative financial instruments	897	674	425	460	360	847	2,123	4,832	–	10,618
Due from clients, dealers and brokers(1)									582	582
Purchased receivables									1,234	1,234
Investments in associates and joint ventures									655	655
Premises and equipment	6	13	19	23	66	235	224	–	378	964
Goodwill									1,274	1,274
Intangible assets									1,022	1,022
Other assets	169	53	193	191	134	107	–	126	674	1,647
	1,072	740	637	674	560	1,189	2,347	4,958	5,819	17,996
	26,244	10,533	10,834	5,935	6,207	19,118	52,636	22,506	53,110	207,123

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

(millions of Canadian dollars)										As at April 30, 2015
	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	495	765	1,276	1,565	1,903	4,831	7,831	808	25,659	45,133
Business and government	1,134	274	259	122	148	786	869	685	30,447	34,724
Deposit-taking institutions	2,342	1,245	–	12	–	1	1	–	1,536	5,137
Unsecured senior debt	4,971	2,944	6,277	2,210	1,301	4,398	5,908	1,684	–	29,693
Covered bonds	–	–	–	–	–	2,417	2,252	2,690	–	7,359
	8,942	5,228	7,812	3,909	3,352	12,433	16,861	5,867	57,642	122,046
Other										
Acceptances	8,392	877	392	–	–	–	–	–	–	9,661
Obligations related to securities sold short(3)	1,136	643	44	39	109	2,458	3,727	6,907	2,568	17,631
Obligations related to securities sold under repurchase agreements and securities loaned	4,610	825	5,161	1,193	–	330	–	–	824	12,943
Derivative financial instruments	780	694	410	739	421	845	1,839	2,412	–	8,140
Due to clients, dealers and brokers(1)									1,883	1,883
Liabilities related to transferred receivables(4)	17	368	27	1,026	28	2,543	9,530	4,793	–	18,332
Securitization – Credit card(5)	–	550	400	–	–	–	373	–	–	1,323
Other liabilities – Other items(1)(5)	276	25	104	511	101	4	353	190	1,346	2,910
	15,211	3,982	6,538	3,508	659	6,180	15,822	14,302	6,621	72,823
Subordinated debt	–	–	–	508	–	1,013	–	8	–	1,529
Equity									10,725	10,725
	24,153	9,210	14,350	7,925	4,011	19,626	32,683	20,177	74,988	207,123
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	6	144	120	802	226	580	836	171	–	2,885
Credit card receivables(6)									6,521	6,521
Backstop liquidity and credit enhancement facilities(7)	15	–	–	15	2,044	2,810	–	–	–	4,884
Commitments to extend credit(8)	857	1,290	1,420	1,707	937	7,649	7,399	1,267	20,181	42,707
Lease commitments and other contracts	64	125	181	177	174	480	802	496	–	2,499
Other guarantee	–	–	–	–	–	–	–	–	29	29

(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) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $1.8 billion.
(8) These amounts include $18.0 billion that is unconditionally revocable at the Bank's discretion at any time.

(millions of Canadian dollars) As at October 31, 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	5,695	4	–	–	–	–	–	–	2,387	8,086
Securities										
At fair value through profit or loss	398	582	584	1,070	1,665	3,114	7,255	8,628	19,904	43,200
Available-for-sale	171	177	–	264	89	222	3,758	4,617	455	9,753
	569	759	584	1,334	1,754	3,336	11,013	13,245	20,359	52,953
Securities purchased under reverse repurchase agreements and securities borrowed	9,894	3,876	5,480	283	–	1,125	1,044	–	2,823	24,525
Loans and acceptances(1)										
Residential mortgage	915	1,144	1,693	2,848	2,168	9,183	20,523	564	262	39,300
Personal and credit card	254	333	573	782	661	2,465	5,850	1,585	17,493	29,996
Business and government	3,922	1,849	1,337	1,637	1,100	2,027	5,714	1,142	9,823	28,551
Customers' liability under acceptances	7,878	870	178	–	–	–	–	–	–	8,926
Allowances for credit losses									(604)	(604)
	12,969	4,196	3,781	5,267	3,929	13,675	32,087	3,291	26,974	106,169
Other										
Derivative financial instruments	305	491	310	225	142	842	1,449	3,328	–	7,092
Due from clients, dealers and brokers(1)									861	861
Purchased receivables									790	790
Investments in associates and joint ventures									697	697
Premises and equipment									380	380
Goodwill									1,272	1,272
Intangible assets									998	998
Other assets(2)	158	55	212	89	253	54	9	44	732	1,606
	463	546	522	314	395	896	1,458	3,372	5,730	13,696
	29,590	9,381	10,367	7,198	6,078	19,032	45,602	19,908	58,273	205,429

(1) Amounts collectible on demand are considered to have no specified maturity.
(2) An amount of $790 million classified in *Other assets* as at October 31, 2014 is now presented separately in *Purchased receivables* on the Consolidated Balance Sheet.

(millions of Canadian dollars) As at October 31, 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	532	1,029	1,807	1,049	1,373	4,586	8,858	876	24,853	44,963
Business and government	5,746	767	143	44	87	499	316	501	32,828	40,931
Deposit-taking institutions	436	–	–	–	–	–	–	–	1,248	1,684
Unsecured senior debt	3,531	2,640	1,253	5,464	3,867	3,588	6,253	640	–	27,236
Covered bonds	–	–	–	–	–	2,260	1,407	1,402	–	5,069
	10,245	4,436	3,203	6,557	5,327	10,933	16,834	3,419	58,929	119,883
Other										
Acceptances	7,878	870	178	–	–	–	–	–	–	8,926
Obligations related to securities sold short(3)	288	1,175	75	39	95	2,321	3,667	7,414	3,093	18,167
Obligations related to securities sold under repurchase agreements and securities loaned	8,146	1,469	3,438	2,415	–	–	–	–	1,312	16,780
Derivative financial instruments	296	664	389	325	160	880	1,432	1,575	–	5,721
Due to clients, dealers and brokers(1)									1,996	1,996
Liabilities related to transferred receivables(4)	7	335	405	367	16	2,223	8,703	5,023	–	17,079
Securitization – Credit card(5)	–	–	330	550	400	–	–	–	–	1,280
Other liabilities – Other items(1)(5)	228	53	142	21	753	2	2	69	1,944	3,214
	16,843	4,566	4,957	3,717	1,424	5,426	13,804	14,081	8,345	73,163
Subordinated debt	–	352	–	–	–	515	1,006	8	–	1,881
Equity									10,502	10,502
	27,088	9,354	8,160	10,274	6,751	16,874	31,644	17,508	77,776	205,429
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	102	715	62	287	182	363	574	404	–	2,689
Credit card receivables(6)									6,442	6,442
Backstop liquidity and credit enhancement facilities(7)	–	–	2,044	15	–	2,130	846	–	–	5,035
Commitments to extend credit(8)	725	868	1,155	1,895	1,474	8,104	7,216	439	19,263	41,139
Lease commitments and other contracts	64	125	181	179	175	486	811	495	–	2,516
Other guarantee	–	–	–	–	–	–	–	–	29	29

(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) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $1.8 billion.
(8) These amounts include $17.2 billion that is unconditionally revocable at the Bank's discretion at any time.

QUARTERLY FINANCIAL INFORMATION

(millions of Canadian dollars, except per share amounts)	2015		2014				2013		2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Total	Total
Total revenues	**1,421**	1,410	1,364	1,460	1,276	1,364	1,251	1,285	5,464	5,151
Net income	**404**	415	330	441	362	405	320	402	1,538	1,512
Earnings per share ($)										
Basic	**1.14**	1.17	0.92	1.26	1.02	1.16	0.91	1.16	4.36	4.34
Diluted	**1.13**	1.16	0.91	1.24	1.01	1.15	0.90	1.16	4.32	4.31
Dividends per common share ($)	**0.50**	0.50	0.48	0.48	0.46	0.46	0.44	0.44	1.88	1.70
Return on common shareholders' equity (%)	**17.6**	17.8	14.3	20.1	17.4	19.8	15.8	21.0	17.9	20.1
Total assets	**207,123**	214,474	205,429	198,822	194,289	195,300	188,219	187,195		
Impaired loans, net	**249**	194	248	184	191	194	183	172		
Per common share ($)										
Book value	**27.01**	26.33	25.76	25.18	24.41	23.68	22.97	22.60		
Share price										
High	**49.15**	55.06	53.88	49.15	45.73	46.86	45.24	39.68		
Low	**45.02**	44.21	48.16	45.19	41.60	41.72	38.86	36.33		

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at April 30, 2015	As at October 31, 2014
Assets		
Cash and deposits with financial institutions	6,470	8,086
Securities (Notes 4 and 5)		
At fair value through profit or loss	43,818	43,200
Available-for-sale	11,832	9,753
	55,650	52,953
Securities purchased under reverse repurchase agreements and securities borrowed	18,185	24,525
Loans (Note 6)		
Residential mortgage	40,507	39,300
Personal and credit card	30,884	29,996
Business and government	28,333	28,551
	99,724	97,847
Customers' liability under acceptances	9,661	8,926
Allowances for credit losses	(563)	(604)
	108,822	106,169
Other		
Derivative financial instruments	10,618	7,092
Due from clients, dealers and brokers	582	861
Purchased receivables	1,234	790
Investments in associates and joint ventures (Note 22)	655	697
Premises and equipment (Note 22)	964	380
Goodwill	1,274	1,272
Intangible assets	1,022	998
Other assets (Note 8)	1,647	1,606
	17,996	13,696
	207,123	205,429
Liabilities and equity		
Deposits (Notes 4 and 9)		
Personal	45,133	44,963
Business and government	69,792	67,364
Deposit-taking institutions	7,121	7,556
	122,046	119,883
Other		
Acceptances	9,661	8,926
Obligations related to securities sold short	17,631	18,167
Obligations related to securities sold under repurchase agreements and securities loaned	12,943	16,780
Derivative financial instruments	8,140	5,721
Due to clients, dealers and brokers	1,883	1,996
Liabilities related to transferred receivables (Notes 4 and 7)	18,332	17,079
Other liabilities (Note 10)	4,233	4,494
	72,823	73,163
Subordinated debt (Note 11)	1,529	1,881
Equity		
Equity attributable to the Bank's shareholders (Notes 13 and 17)		
Preferred shares	1,023	1,223
Common shares	2,323	2,293
Contributed surplus	59	52
Retained earnings	6,231	5,850
Accumulated other comprehensive income	304	289
	9,940	9,707
Non-controlling interests (Note 14)	785	795
	10,725	10,502
	207,123	205,429

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

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Interest income				
Loans	**856**	817	**1,762**	1,656
Securities at fair value through profit or loss	**172**	284	**347**	505
Available-for-sale securities	**75**	51	**144**	99
Deposits with financial institutions	**6**	6	**13**	12
	1,109	1,158	**2,266**	2,272
Interest expense				
Deposits	**328**	297	**673**	580
Liabilities related to transferred receivables	**102**	96	**208**	194
Subordinated debt	**13**	18	**30**	38
Other	**26**	98	**59**	197
	469	509	**970**	1,009
Net interest income	**640**	649	**1,296**	1,263
Non-interest income				
Underwriting and advisory fees	**111**	85	**191**	168
Securities brokerage commissions	**75**	87	**148**	172
Mutual fund revenues	**81**	60	**154**	119
Trust service revenues	**111**	94	**218**	183
Credit fees	**103**	91	**195**	185
Card revenues	**28**	30	**64**	60
Deposit and payment service charges	**56**	57	**113**	116
Trading revenues (losses) (Note 16)	**14**	(33)	**117**	45
Gains (losses) on available-for-sale securities, net	**56**	19	**63**	39
Insurance revenues, net	**25**	27	**47**	55
Foreign exchange revenues, other than trading	**21**	21	**43**	46
Share in the net income of associates and joint ventures	**(8)**	7	**–**	14
Other	**108**	82	**182**	175
	781	627	**1,535**	1,377
Total revenues	**1,421**	1,276	**2,831**	2,640
Provisions for credit losses (Note 6)	**57**	51	**111**	102
	1,364	1,225	**2,720**	2,538
Non-interest expenses				
Compensation and employee benefits	**538**	481	**1,086**	989
Occupancy	**59**	57	**113**	111
Technology	**168**	108	**288**	213
Communications	**19**	17	**36**	33
Professional fees	**53**	52	**107**	108
Other	**99**	84	**169**	161
	936	799	**1,799**	1,615
Income before income taxes	**428**	426	**921**	923
Income taxes	**24**	64	**102**	156
Net income	**404**	362	**819**	767
Net income attributable to				
Preferred shareholders	**11**	10	**23**	19
Common shareholders	**377**	335	**762**	715
Bank shareholders	**388**	345	**785**	734
Non-controlling interests	**16**	17	**34**	33
	404	362	**819**	767
Earnings per share *(dollars)* (Note 20)				
Basic	**1.14**	1.02	**2.32**	2.19
Diluted	**1.13**	1.01	**2.29**	2.16
Dividends per common share *(dollars)*	**0.50**	0.46	**1.00**	0.92

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Net income	**404**	362	**819**	767
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	**(102)**	1	**18**	76
Impact of hedging net foreign currency translation gains (losses)	**74**	3	**(30)**	(60)
	(28)	4	**(12)**	16
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**(9)**	49	**60**	67
Net (gains) losses on available-for-sale securities reclassified to net income	**(53)**	(20)	**(62)**	(36)
	(62)	29	**(2)**	31
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**26**	14	**26**	7
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(3)	**(6)**	(6)
	23	11	**20**	1
Share in the other comprehensive income of associates and joint ventures	**–**	(1)	**3**	–
Item that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**91**	43	**(22)**	35
Total other comprehensive income, net of income taxes	**24**	86	**(13)**	83
Comprehensive income	**428**	448	**806**	850
Comprehensive income attributable to				
Bank shareholders	**421**	430	**778**	815
Non-controlling interests	**7**	18	**28**	35
	428	448	**806**	850

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	
	2015	2014	**2015**	2014
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(5)**	(1)	**2**	3
Impact of hedging net foreign currency translation gains (losses)	**22**	(3)	**–**	(18)
	17	(4)	**2**	(15)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**(3)**	19	**23**	25
Net (gains) losses on available-for-sale securities reclassified to net income	**(20)**	(8)	**(23)**	(14)
	(23)	11	**–**	11
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**10**	5	**9**	2
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(1)**	(1)	**(2)**	(2)
	9	4	**7**	–
Remeasurements of pension plans and other post-employment benefit plans	**33**	16	**(8)**	13
	36	27	**1**	9

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (millions of Canadian dollars)

	Six months ended April 30	
	2015	2014
Preferred shares at beginning	**1,223**	677
Issuance of Series 30 preferred shares	**–**	350
Redemption of Series 16, 24 and 26 preferred shares for cancellation	**(200)**	(104)
Preferred shares at end	**1,023**	923
Common shares at beginning	**2,293**	2,160
Issuances of common shares		
Stock Option Plan	**26**	59
Impact of shares purchased or sold for trading	**4**	–
Common shares at end	**2,323**	2,219
Contributed surplus at beginning	**52**	58
Stock option expense (Note 17)	**10**	7
Stock options exercised	**(3)**	(8)
Other	**–**	(2)
Contributed surplus at end	**59**	55
Retained earnings at beginning	**5,850**	5,055
Net income attributable to the Bank's shareholders	**785**	734
Dividends (Note 13)		
Preferred shares	**(23)**	(19)
Common shares	**(329)**	(301)
Share issuance expenses	**–**	(9)
Remeasurements of pension plans and other post-employment benefit plans	**(22)**	35
Impact of a financial liability resulting from a put option written to a non-controlling interest	**(30)**	(33)
Retained earnings at end	**6,231**	5,462
Accumulated other comprehensive income at beginning	**289**	214
Net foreign currency translation adjustments	**(12)**	16
Net change in unrealized gains (losses) on available-for-sale securities	**(2)**	31
Net change in gains (losses) on cash flow hedges	**26**	(1)
Share in the other comprehensive income of associates and joint ventures	**3**	–
Accumulated other comprehensive income at end	**304**	260
Equity attributable to the Bank's shareholders	**9,940**	8,919
Non-controlling interests at beginning	**795**	789
Net income attributable to non-controlling interests	**34**	33
Other comprehensive income attributable to non-controlling interests	**(6)**	2
Distributions to non-controlling interests	**(38)**	(29)
Non-controlling interests at end	**785**	795
Equity	**10,725**	9,714

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at April 30, 2015	As at April 30, 2014
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**(15)**	10
Net unrealized gains (losses) on available-for-sale securities	**166**	203
Net gains (losses) on instruments designated as cash flow hedges	**149**	46
Share in the other comprehensive income of associates and joint ventures	**4**	1
	304	260

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (millions of Canadian dollars)

	Six months ended April 30	
	2015	2014
Cash flows from operating activities		
Net income	819	767
Adjustments for		
Provisions for credit losses	111	102
Amortization of premises and equipment and intangible assets	105	79
Impairment losses on intangible assets	46	–
Gain on the disposal of shares of Fiera Capital Corporation	(34)	–
Deferred taxes	(8)	34
Translation adjustment on foreign currency denominated subordinated debt	1	2
Losses (gains) on sales of available-for-sale securities, net	(72)	(43)
Impairment losses on available-for-sale securities	9	4
Stock option expense	10	7
Change in operating assets and liabilities		
Securities at fair value through profit or loss	(618)	(1,250)
Securities purchased under reverse repurchase agreements and securities borrowed	6,340	2,370
Loans, net of securitization	(776)	(3,562)
Investments in associates and joint ventures	(38)	10
Deposits	2,163	7,303
Obligations related to securities sold short	(536)	(3,948)
Obligations related to securities sold under repurchase agreements and securities loaned	(3,837)	1,240
Derivative financial instruments, net	(1,295)	(500)
Due from and to clients, dealers and brokers, net	166	(232)
Purchased receivables	(444)	(339)
Interest and dividends receivable and interest payable	(88)	(78)
Current tax assets and liabilities	(83)	(26)
Other items	(723)	(489)
	1,218	1,451
Cash flows from financing activities		
Issuance of preferred shares	–	341
Redemption of preferred shares for cancellation	(200)	(104)
Issuance of common shares	28	51
Redemption of subordinated debt	(350)	(526)
Dividends paid on shares	(188)	(309)
Change in other items	(38)	(15)
	(748)	(562)
Cash flows from investing activities		
Acquisition of TD Waterhouse Institutional Services	–	722
Disposal of shares of Fiera Capital Corporation (Note 22)	114	–
Purchases of available-for-sale securities	(4,209)	(2,569)
Maturities of available-for-sale securities	263	–
Sales of available-for-sale securities	2,255	2,863
Acquisition of tangible assets leased under operating leases (Note 22)	(634)	–
Net change in premises and equipment	(32)	(55)
Net change in intangible assets	(122)	(65)
	(2,365)	896
Impact of currency rate movements on cash and cash equivalents	279	204
Increase (decrease) in cash and cash equivalents	(1,616)	1,989
Cash and cash equivalents at beginning	8,086	3,596
Cash and cash equivalents at end(1)	6,470	5,585
Supplementary information about cash flows from operating activities		
Interest paid	1,084	1,050
Interest and dividends received	2,291	2,308
Income taxes paid	176	94

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

(1) This item is the equivalent of Consolidated Balance Sheet item *Cash and deposits with financial institutions*. It includes an amount of $1.4 billion as at April 30, 2015 ($1.0 billion as at October 31, 2014) for which there are restrictions. In addition, $2 million was held in escrow as at April 30, 2015 ($2 million as at October 31, 2014).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (millions of Canadian dollars)

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NOTE 1 – BASIS OF PRESENTATION

On May 26, 2015, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter ended April 30, 2015.

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, 2014, 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, 2014.

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

NOTE 2 – ACCOUNTING POLICY CHANGES

Accounting Policy Changes

As at November 1, 2014, the Bank adopted an amended standard as well as a new interpretation, as described below.

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. Retrospective adoption of these amendments had no significant impact on the Bank's consolidated financial statements.

IFRIC Interpretation 21 – *Levies*
IFRIC Interpretation 21 clarifies the timing of the recognition of 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.* The Interpretation states that the obligating event, as set out in the relevant legislation, is the trigger for recognizing the liability. Therefore, if the obligating event occurs at a point in time, the liability is recognized at that point in time; if the obligating event occurs over a given period of time, the liability is recognized progressively over that period of time. Retrospective adoption of this interpretation had no significant impact on the Bank's consolidated financial statements.

Future Accounting Policy Changes

The Bank is currently assessing the impact that adoption of the following standards will have on its consolidated financial statements.

Effective Date – Early Adoption on November 1, 2017

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued a complete and final version of IFRS 9, which replaces the current standard on financial instruments. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting. Macro hedge accounting has been decoupled from IFRS 9 and will be considered and issued as a separate standard. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. With respect to measuring financial liabilities designated at fair value through profit or loss, the standard prescribes that fair value changes attributable to an entity's own credit risk be accounted for in *Other comprehensive income* unless the changes offset amounts recognized in *Net income*.

IFRS 9 also introduces a new, single impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. This model requires the recognition of 12-month expected credit losses as of the initial recognition date of a financial asset and recognition of lifetime expected losses if the financial instrument's credit risk has increased significantly since initial recognition.

As for the new hedge accounting model, it provides better alignment of hedge accounting with risk management activities. However, the current hedge accounting requirements may continue to be applied until the IASB finalizes its macro hedge accounting project.

The IASB requires IFRS 9 to be applied as of November 1, 2018 but permits early adoption. However, on January 9, 2015, OSFI issued the final version of the advisory, *Early Adoption of IFRS 9 Financial Instruments for Domestic Systemically Important Banks*, stating that it expects Domestic Systemically Important Banks, a group that includes the Bank, to adopt IFRS 9 as of November 1, 2017. As for the IFRS 9 provisions regarding own credit risk, OSFI has been permitting early adoption since February 2014. In general, IFRS 9 is to be applied retrospectively.

Effective Date – November 1, 2017

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively.

At its meeting on April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Early adoption is still permitted.

(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, 2015
	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	–	–	–	6,470	6,470	6,470	6,470
Securities	41,123	2,695	11,832	–	–	55,650	55,650
Securities purchased under reverse repurchase agreements and securities borrowed	–	1,071	–	17,114	17,114	18,185	18,185
Loans and acceptances	3,272	114	–	105,436	106,089	108,822	109,475
Other							
Derivative financial instruments	10,618	–	–	–	–	10,618	10,618
Due from clients, dealers and brokers	–	–	–	582	582	582	582
Purchased receivables	–	–	–	1,234	1,234	1,234	1,234
Other assets	–	–	–	429	429	429	429
Financial liabilities							
Deposits	–	2,843		119,203 (1)	119,574	122,046	122,417
Other							
Acceptances	–	–		9,661	9,661	9,661	9,661
Obligations related to securities sold short	17,631	–		–	–	17,631	17,631
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		12,943	12,943	12,943	12,943
Derivative financial instruments	8,140	–		–	–	8,140	8,140
Due to clients, dealers and brokers	–	–		1,883	1,883	1,883	1,883
Liabilities related to transferred receivables	–	5,949		12,383	12,505	18,332	18,454
Other liabilities	48	–		2,346	2,365	2,394	2,413
Subordinated debt	–	–		1,529	1,543	1,529	1,543

(1) Including embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

As at October 31, 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	–	–	–	8,086	8,086	8,086	8,086
Securities	40,560	2,640	9,753	–	–	52,953	52,953
Securities purchased under reverse repurchase agreements and securities borrowed	–	415	–	24,110	24,110	24,525	24,525
Loans and acceptances	2,762	121	–	103,286	103,956	106,169	106,839
Other							
Derivative financial instruments	7,092	–	–	–	–	7,092	7,092
Due from clients, dealers and brokers	–	–	–	861	861	861	861
Purchased receivables	–	–	–	790	790	790	790
Other assets(1)	–	–	–	454	454	454	454
Financial liabilities							
Deposits	–	2,524		117,359 (2)	117,707	119,883	120,231
Other							
Acceptances	–	–		8,926	8,926	8,926	8,926
Obligations related to securities sold short	18,167	–		–	–	18,167	18,167
Obligations related to securities sold under repurchase agreements and securities loaned	–	–		16,780	16,780	16,780	16,780
Derivative financial instruments	5,721	–		–	–	5,721	5,721
Due to clients, dealers and brokers	–	–		1,996	1,996	1,996	1,996
Liabilities related to transferred receivables	–	6,127		10,952	11,067	17,079	17,194
Other liabilities	133	–		2,224	2,243	2,357	2,376
Subordinated debt	–	–		1,881	1,904	1,881	1,904

(1) An amount of $790 million classified in *Other assets* as at October 31, 2014 is now presented separately in *Purchased receivables* on the Consolidated Balance Sheet.
(2) Including embedded derivative financial instruments.

Establishing Fair Value

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price).

Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Bank applies other valuation techniques that maximize the use of relevant observable inputs and that minimize the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates. Judgment is required when applying many of the valuation techniques.

Fair value is established in accordance with a rigorous control framework. The Bank has policies and procedures that govern the process for determining fair value. The Bank's valuation governance structure has remained largely unchanged from that described in Notes 3 and 6 to the audited annual consolidated financial statements for the year ended October 31, 2014. The valuation techniques used to determine the fair value of financial assets and liabilities are also described in those notes, and no significant changes have been made to the valuation techniques.

(unaudited) (millions of Canadian dollars)

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

Financial Instruments Recorded at Fair Value on the Consolidated Balance Sheet

Hierarchy of Fair Value Measurements

IFRS establishes a fair value hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. This fair value hierarchy requires observable market inputs to be used whenever such inputs exist. According to the hierarchy, the highest level of inputs are unadjusted quoted prices in active markets for identical instruments and the lowest level of inputs are unobservable inputs. If inputs from different levels of the hierarchy are used, the financial instrument is classified in the same level as the lowest level input that is significant to the fair value measurement. For additional information, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2014.

Transfers of financial instruments between Levels 1 and 2 and transfers to (or from) Level 3 are deemed to have taken place at the beginning of the period. Significant transfers can occur between the fair value hierarchy levels due to new information on inputs used to determine fair value and the observable nature of those inputs.

During the quarters ended April 30, 2015 and 2014, there were no significant transfers of financial instruments between Levels 1 and 2. During the six months ended April 30, 2015, $70 million in securities classified at fair value through profit and loss were transferred from Level 2 to Level 1 resulting from changing market conditions (no significant transfers for the six months ended April 30, 2014). In addition, during the six-month periods ended April 30, 2015 and 2014, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.

The following tables show financial instruments recorded at fair value on the Consolidated Balance Sheet according to the fair value hierarchy.

				As at April 30, 2015
	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	2,830	6,269	–	9,099
Provinces	–	8,602	–	8,602
Municipalities and school boards	–	674	–	674
U.S. Treasury, other U.S. agencies and other foreign governments	1,878	816	–	2,694
Other debt securities	–	2,360	1,128	3,488
Equity securities	18,777	455	29	19,261
	23,485	19,176	1,157	43,818
Available-for-sale				
Securities issued or guaranteed by				
Canada	259	5,340	–	5,599
Provinces	–	4,367	–	4,367
Municipalities and school boards	–	420	–	420
U.S. Treasury, other U.S. agencies and other foreign governments	145	26	–	171
Other debt securities	–	603	25	628
Equity securities	258	169	220	647
	662	10,925	245	11,832
Securities purchased under reverse repurchase agreements and securities borrowed	–	1,071	–	1,071
Loans and acceptances	–	3,386	–	3,386
Other				
Derivative financial instruments	100	10,470	48	10,618
	24,247	45,028	1,450	70,725
Financial liabilities				
Deposits	–	3,053	6	3,059
Other				
Obligations related to securities sold short	12,272	5,359	–	17,631
Derivative financial instruments	60	7,995	85	8,140
Liabilities related to transferred receivables	–	5,949	–	5,949
Other liabilities	–	48	–	48
	12,332	22,404	91	34,827

(unaudited) (millions of Canadian dollars)

				As at October 31, 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	2,376	5,151	–	7,527
Provinces	–	8,395	–	8,395
Municipalities and school boards	–	740	–	740
U.S. Treasury, other U.S. agencies and other foreign governments	1,294	448	–	1,742
Other debt securities	–	3,667	1,174	4,841
Equity securities	18,637	1,269	49	19,955
	22,307	19,670	1,223	43,200
Available-for-sale				
Securities issued or guaranteed by				
Canada	135	4,128	–	4,263
Provinces	–	3,880	–	3,880
Municipalities and school boards	–	348	–	348
U.S. Treasury, other U.S. agencies and other foreign governments	274	–	–	274
Other debt securities	–	408	89	497
Equity securities	223	120	148	491
	632	8,884	237	9,753
Securities purchased under reverse repurchase agreements and securities borrowed	–	415	–	415
Loans and acceptances	–	2,883	–	2,883
Other				
Derivative financial instruments	74	6,974	44	7,092
	23,013	38,826	1,504	63,343
Financial liabilities				
Deposits	–	2,645	81	2,726
Other				
Obligations related to securities sold short	12,795	5,372	–	18,167
Derivative financial instruments	45	5,593	83	5,721
Liabilities related to transferred receivables	–	6,127	–	6,127
Other liabilities	–	133	–	133
	12,840	19,870	164	32,874

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 partly based on observable market inputs.

Valuation Techniques Applied to Financial Instruments Classified in Level 3

Restructured Notes of the Master Asset Vehicle (MAV) Conduits and Other Restructured Notes

In establishing the fair value of the restructured notes of the MAV conduits, the Bank considered the quality of the underlying assets. The Bank determined fair value using a valuation technique that incorporates discounted cash flows. For the restructured notes of the MAV I and MAV II Class A-1, A-2 and B conduits, the discount rate is based 80% on the CDX.IG index tranches and 20% on a basket of securities backed by assets such as credit card receivables, Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS) and automobile loans. The fair value valuation method also includes the effects of broker quotes and market conditions on the MAV II Class A-1, A-2, B and C notes. For the restructured notes of the MAV I and MAV II Class A-1, A-2 and B conduits, the adjustment related to broker quotes of the MAV II Class A-1, A-2 and B conduits represented 30% as at April 30, 2015 and as at October 31, 2014 of the weighting used to determine fair value. For the restructured notes of the MAV I and MAV II Class C conduits, the adjustment related to broker quotes represented 100% as at April 30, 2015 and as at October 31, 2014 of the weighting used to determine fair value. The credit ratings and coupons were based on the terms set out in the restructured notes of the MAV conduits. Maturities are based on the anticipated cash flows of the underlying assets.

In establishing the fair value of the restructured notes, the Bank adjusts, as required, its liquidity assumption to reflect market conditions.

The Bank determines the fair value of the restructured notes of the MAV conduits it is holding by comparing the value obtained using the above-described methodology against a range of values. The values situated in this range were obtained by adjusting various inputs used to determine the discount rate and broker quotes, incorporating third-party assessments and applying various liquidity scenarios. As several assumptions may be used to determine fair value, this range reflects the level of uncertainty associated with these models.

Equity Securities and Other Debt Securities

The fair value of these financial instruments is determined primarily based on the net asset values provided by the investment or fund managers or the general partners of the limited partnerships or by using internal pricing models adjusted for instrument-specific risk factors and market inputs that cannot be readily observed.

Derivative Financial Instruments

The fair value of derivative financial instruments classified in Level 3 of the hierarchy is established primarily on the basis of internal estimates and data that consider the valuation policies in effect at the Bank, economic conditions, the specific characteristics of the financial asset or financial liability and other relevant factors. In establishing the fair value of derivative financial instruments, the Bank incorporates credit risk by considering the credit quality of the Bank and of the counterparties to the contracts, the measurement of current or future market value of the transactions, and credit risk mitigation measures such as master netting arrangements and the financial assets received as collateral. The Bank also incorporates the market implied funding costs and benefits in determining the fair value of uncollateralized (or not fully collateralized) OTC derivative financial instruments.

Structured Deposit Notes

The fair value of structured deposit notes classified in Level 3 of the hierarchy is established using valuation models that maximize the use of observable inputs when available, such as benchmark indices.

(unaudited) (millions of Canadian dollars)

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, 2015	
	Fair value	Primary valuation techniques	Significant unobservable inputs	Range of input values Low	High
Financial assets					
Securities					
Restructured notes of the MAV I conduits	1,021	Internal model(1)	Liquidity discount		1.50%
			Credit spread	38 Bps(2)	220 Bps(2)
Restructured notes of the MAV II conduits and other restructured notes	112	Internal model(1)	Liquidity discount	1.00%	4.06%
			Credit spread	40 Bps(2)	320 Bps(2)
Equity securities and other debt securities	269	Net asset value	Net asset value		100%
		Discounted cash flows	Credit spread	425 Bps(2)	445 Bps(2)
Other					
Derivative financial instruments	48	Option pricing model	Long-term volatility	9%	38%
			Long-term correlation	(35)%	82%
	1,450				
Financial liabilities					
Deposits					
Structured deposit notes	6	Option pricing model	Long-term volatility	9%	41%
			Long-term correlation	(35)%	84%
Other					
Derivative financial instruments	85	Option pricing model	Long-term volatility	9%	38%
			Long-term correlation	(35)%	84%
	91				

				As at October 31 2014	
	Fair value	Primary valuation techniques	Significant unobservable inputs	Range of input values Low	High
Financial assets					
Securities					
Restructured notes of the MAV I conduits	1,063	Internal model(1)	Liquidity discount		3.00%
			Credit spread	33 Bps(2)	560 Bps(2)
Restructured notes of the MAV II, MAV III conduits and other restructured notes	173	Internal model(1)	Liquidity discount	1.50%	6.31%
			Credit spread	42 Bps(2)	560 Bps(2)
Equity securities and other debt securities	224	Various(3)	Various(3)		Various(3)
Other					
Derivative financial instruments	44	Option pricing model	Long-term volatility	12%	36%
			Long-term correlation	(31)%	81%
	1,504				
Financial liabilities					
Deposits					
Structured deposit notes	81	Option pricing model	Long-term volatility	14%	35%
			Long-term correlation	(7)%	78%
Other					
Derivative financial instruments	83	Option pricing model	Long-term volatility	12%	36%
			Long-term correlation	(31)%	99%
	164				

(1) See the previous page for a description of the valuation techniques.
(2) Bps or basis point is a unit of measure equal to 0.01%.
(3) 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.

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

Significant Unobservable Inputs Used for Fair Value Measurements Classified in Level 3

Liquidity Discount

The liquidity discount is the difference in liquidity between the measured financial asset and comparable assets. There is no predictable correlation between the liquidity discount and the credit spread. An increase (decrease) in this unobservable input generally results in a decrease (increase) in fair value.

Credit Spread

Credit spread is the difference between a benchmark interest rate and the interest rate required by market participants to accept the lower credit quality of the measured financial asset. The interest rate on certain government bonds with a high credit rating and a maturity similar to the measured asset can often be considered a benchmark interest rate. An increase (decrease) in this unobservable input generally results in a decrease (increase) in fair value.

Long-Term Volatility

Volatility is a measure of the expected future variability of market prices. Volatility is generally observable in the market through options prices. However, the long-term volatility of options with a longer maturity might not be observable. An increase (decrease) in long-term volatility is generally associated with an increase (decrease) in long-term correlation. Higher long-term volatility may increase or decrease an instrument's fair value depending on its terms.

Long-Term Correlation

Correlation is a measure of the inter-relationship between two different variables. A positive correlation means that the variables tend to move in the same direction; a negative correlation means that the variables tend to move in opposite directions. Correlation is used to measure financial instruments whose future returns depend on several variables. Changes in correlation will either increase or decrease a financial instrument's fair value depending on the terms of its contractual payout.

Net Asset Value

The net asset value represents the estimated value of a security based on valuations received from the investment or fund managers or the general partners of the limited partnerships. The net asset value of a fund is the total fair value of assets less liabilities.

Sensitivity Analysis of Financial Instruments Classified in Level 3

The Bank performs sensitivity analyses for the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably plausible alternative assumptions.

For the restructured notes of the MAV conduits, the most significant unobservable inputs used to determine fair value are the liquidity discount, the credit spread (a component of the discount rate) and the weighting attributed to the discount rate and the broker quotes for the MAV II Class A-1, A-2 and B notes. As at April 30, 2015, a 100-basis-point change in the liquidity discount would result in an $11 million decrease or increase in fair value (an $11 million decrease or increase as at October 31, 2014). A 10-basis-point change in the discount rate would result in a $4 million decrease or increase in fair value (a $6 million decrease or increase as at October 31, 2014). A 10% change in the weighting attributed to the discount rate and the broker quotes on MAV II Class A-1, A-2 and B notes would result in a $7 million decrease or increase in fair value (a $7 million decrease or increase as at October 31, 2014). The fair values resulting from such assumptions could be situated within the ranges or outside the ranges established by the Bank.

For private equity securities, the Bank varies significant unobservable market inputs such as net asset values or credit spreads and establishes a reasonable fair value range that could result in a $34 million increase or decrease in the fair value recorded as at April 30, 2015 (a $16 million increase or decrease as at October 31, 2014).

For derivative financial instruments and embedded derivatives in structured deposit notes, the Bank varies long-term volatility and correlation inputs and establishes a reasonable fair value range. As at April 30, 2015, for derivative financial instruments, the net fair value could result in a $7 million increase or decrease ($10 million increase or decrease as at October 31, 2014) whereas for structured deposit notes, the fair value could result in a $4 million increase or decrease ($12 million increase or decrease as at October 31, 2014).

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

				Six months ended April 30, 2015
	Securities at fair value through profit or loss	**Available-for-sale securities**	**Derivative financial instruments(1)**	**Deposits**
Fair value as at October 31, 2014	**1,223**	**237**	**(39)**	**(81)**
Total realized and unrealized gains (losses) included in *Net income* (2)	**31**	**53**	**3**	**(7)**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**(39)**	**–**	**–**
Purchases	**3**	**76**	**–**	**–**
Sales	**(31)**	**(78)**	**–**	**–**
Issuances	**–**	**–**	**–**	**(11)**
Settlements and other	**(69)**	**(4)**	**–**	**–**
Financial instruments transferred into Level 3	**–**	**–**	**(1)**	**7**
Financial instruments transferred out of Level 3	**–**	**–**	**–**	**86**
Fair value as at April 30, 2015	**1,157**	**245**	**(37)**	**(6)**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at April 30, 2015(3)	**30**	**–**	**3**	**(7)**

				Six months ended April 30, 2014
	Securities at fair value through profit or loss	Available-for-sale securities	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* (4)	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)	–	–
Financial instruments transferred into Level 3	–	–	(9)	(9)
Financial instruments transferred out of Level 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 financial liabilities held as at April 30, 2014(5)	51	–	–	(3)

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total net gains included in *Non-interest income* was $80 million.
(3) Total unrealized gains included in *Non-interest income* was $26 million.
(4) Total net gains included in *Non-interest income* was $51 million.
(5) Total unrealized gains included in *Non-interest income* was $48 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, 2014. In accordance with its risk management strategy, which allows the Bank to eliminate or significantly reduce the measurement or recognition mismatch resulting from measuring financial assets and liabilities on different bases, the Bank designated certain securities, certain securities purchased under reverse repurchase agreements, and certain liabilities related to transferred receivables as 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.

To determine a change in fair value arising from a change in the credit risk of deposits designated at fair value through profit or loss, the Bank calculates, at the beginning of the period, the present value of the instrument's contractual cash flows using the following rates: first, using an observed discount rate that reflects the Bank's credit spread and, then, using a rate that excludes the Bank's credit spread. The difference between the two values is then compared to the difference obtained using the same rates at the end of the period.

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

	Carrying value as at April 30, 2015	Change in the total fair value (including the change in the fair value attributable to credit risk) for the quarter ended April 30, 2015	Change in the total fair value (including the change in the fair value attributable to credit risk) for the six months ended April 30, 2015	Change in fair value since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	2,695	(30)	51	420
Securities purchased under reverse repurchase agreements	1,071	1	–	–
Loans	114	(10)	(22)	(28)
	3,880	(39)	29	392
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	2,843	(81)	(114)	(218)
Liabilities related to transferred receivables	5,949	72	(61)	(240)
	8,792	(9)	(175)	(458)

	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)	2,097	(77)	(60)	(180)
Liabilities related to transferred receivables	6,311	24	17	(185)
	8,408	(53)	(43)	(365)

(1) For the quarter ended April 30, 2015, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk was a $2 million loss ($7 million loss for the quarter ended April 30, 2014). For the six months ended April 30, 2015, this change was a negligible loss ($5 million loss for the six months ended April 30, 2014).
(2) The amount at maturity that the Bank will be contractually required to pay to the holders of these deposits varies and will differ from the reporting date fair value.

(unaudited) (millions of Canadian dollars)

NOTE 5 – SECURITIES

Gross Gains (Losses) on Available-for-Sale Securities

	As at April 30, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canada	**5,526**	**82**	**(9)**	**5,599**
Provinces	**4,090**	**295**	**(18)**	**4,367**
Municipalities and school boards	**400**	**20**	**–**	**420**
U.S. Treasury, other U.S. agencies and other foreign governments	**172**	**–**	**(1)**	**171**
Other debt securities	**616**	**13**	**(1)**	**628**
Equity securities	**581**	**83**	**(17)**	**647**
	11,385	**493**	**(46)**	**11,832**

	As at October 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by				
Canada	4,226	38	(1)	4,263
Provinces	3,704	186	(10)	3,880
Municipalities and school boards	332	16	–	348
U.S. Treasury, other U.S. agencies and other foreign governments	274	–	–	274
Other debt securities	447	50	–	497
Equity securities	437	69	(15)	491
	9,420	359	(26)	9,753

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, 2015, $3 million in impairment losses ($3 million for the quarter ended April 30, 2014) was recognized in *Gains (losses) on available-for-sale securities, net* in the Consolidated Statement of Income. For the six months ended April 30, 2015, $9 million in impairment losses ($4 million for the six months ended April 30, 2014) was recognized. In addition, during the six-month periods ended April 30, 2015 and 2014, no amount was reversed in the Consolidated Statement of Income to recognize subsequent increases in the fair value of previously impaired debt securities.

Gross Unrealized Losses

As at April 30, 2015 and as at October 31, 2014, 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

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, 2015, designated as *Securities at fair value through profit or loss,* was $1,126 million, and $12 million was classified in *Available-for-sale securities* ($1,166 million designated as *Securities at fair value through profit or loss* and $75 million classified in *Available-for-sale securities* as at October 31, 2014). 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*.

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS

Credit Quality of Loans

	As at April 30, 2015			
	Residential mortgage	Personal and credit card	Business and government[1]	Total
Neither past due[2] nor impaired	40,163	30,568	27,903	98,634
Past due[2] but not impaired	280	233	131	644
Impaired	64	83	299	446
Gross loans	40,507	30,884	28,333	99,724
Less: Allowances on impaired loans				
Individual allowances	11	16	146	173
Collective allowances	–	22	2	24
Allowances on impaired loans	11	38	148	197
	40,496	30,846	28,185	99,527
Less: Collective allowance on non-impaired loans[3]				366
Loans, net of allowances				99,161

	As at October 31, 2014			
	Residential mortgage	Personal and credit card	Business and government[1]	Total
Neither past due[2] nor impaired	38,969	29,663	28,061	96,693
Past due[2] but not impaired	270	252	146	668
Impaired	61	81	344	486
Gross loans	39,300	29,996	28,551	97,847
Less: Allowances on impaired loans				
Individual allowances	9	15	191	215
Collective allowances	–	21	2	23
Allowances on impaired loans	9	36	193	238
	39,291	29,960	28,358	97,609
Less: Collective allowance on non-impaired loans[3]				366
Loans, net of allowances				97,243

(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 must then submit a report to Credit Risk Management.
(2) A loan is past due when the counterparty has not made a payment by the contractual due date.
(3) The collective allowance on non-impaired loans for credit risk was established taking into account the Bank's overall credit portfolio.

(unaudited) (millions of Canadian dollars)

Loans Past Due But Not Impaired

	As at April 30, 2015			As at October 31, 2014		
	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	123	72	30	123	90	56
2 months late	60	28	23	45	30	23
3 months late and more	97	133	78	102	132	67
	280	233	131	270	252	146

(1) As at April 30, 2015, the fair value of financial collateral held against loans past due but not impaired was $20 million ($20 million as at October 31, 2014).

Impaired Loans

	As at April 30, 2015			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	64	11	–	53
Personal and credit card	83	16	22	45
Business and government	299	146	2	151
	446	173	24	249

	As at October 31, 2014			
	Gross	Individual allowances	Collective allowances	Net
Loans				
Residential mortgage	61	9	–	52
Personal and credit card	81	15	21	45
Business and government	344	191	2	151
	486	215	23	248

(unaudited) (millions of Canadian dollars)

NOTE 6 – LOANS (cont.)

Allowances for Credit Losses

									Six months ended April 30, 2015
	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	9	–	15	21	191	2	215	23	238
Provisions for credit losses	5	–	60	18	26	2	91	20	111
Write-offs	(3)	–	(20)	(20)	(76)	(2)	(99)	(22)	(121)
Write-offs on credit cards	–	–	(39)	–	–	–	(39)	–	(39)
Recoveries	–	–	–	3	5	–	5	3	8
Balance at end	11	–	16	22	146	2	173	24	197
Collective allowance on non-impaired loans(1)									366
Total allowances									563

									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

(1) The collective allowance on non-impaired loans for credit risk was established taking into account the Bank's overall credit portfolio.

(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. According to the terms of some of those transactions, the Bank retains substantially all of the risks and rewards related to those financial assets. The risks include credit risk, interest rate risk, foreign exchange risk, prepayment risk and other price risks, whereas the rewards include 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 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, 2015	As at October 31, 2014
Carrying value of financial assets transferred but not derecognized		
Securities(1)	30,953	31,359
Residential mortgages	16,417	15,790
	47,370	47,149
Carrying value of associated liabilities(2)	28,672	28,933
Fair value of financial assets transferred but not derecognized		
Securities(1)	30,953	31,359
Residential mortgages	16,716	16,068
	47,669	47,427
Fair value of associated liabilities(2)	28,795	29,049

(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 $5,702 million as at April 30, 2015 ($2,737 million as at October 31, 2014) 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 $8,305 million as at April 30, 2015 ($7,662 million as at October 31, 2014).

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

	As at April 30, 2015	As at October 31, 2014
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	17,407	16,604
Securities sold under repurchase agreements	10,379	11,921
Securities loaned	19,582	18,619
Residential mortgages transferred to a mutual fund	2	5
	47,370	47,149

(unaudited) (millions of Canadian dollars)

NOTE 8 – OTHER ASSETS

	As at April 30, 2015	As at October 31, 2014[1]
Receivables, prepaid expenses and other items	683	634
Interest and dividends receivable	429	454
Defined benefit asset	164	185
Deferred tax assets	275	264
Current tax assets	68	44
Reinsurance assets	28	25
	1,647	1,606

(1) An amount of $790 million classified in *Other assets* as at October 31, 2014 is now presented separately in *Purchased receivables* on the Consolidated Balance Sheet.

NOTE 9 – DEPOSITS

			As at April 30, 2015	As at October 31, 2014
	Demand or notice[1]	Fixed term[2]	Total	Total
Personal	25,659	19,474	45,133	44,963
Business and government	30,447	39,345	69,792	67,364
Deposit-taking institutions	1,536	5,585	7,121	7,556
	57,642	64,404	122,046	119,883

(1) Demand deposits are deposits for which the Bank does not have the right to require notice of withdrawal and consist essentially of deposits in chequing accounts. Notice deposits are deposits for which the Bank may legally require notice of withdrawal and consist mainly of deposits in savings accounts.
(2) Fixed-term deposits are deposits that can be withdrawn by the holder on a specified date and include term deposits, guaranteed investment certificates, savings accounts and plans, covered bonds and similar instruments.

The *Deposits – Business and government* item includes the deposit from NBC Capital Trust and covered bonds, the balances of which were $225 million and $7,359 million, respectively, as at April 30, 2015 ($225 million and $5,069 million, respectively, as at October 31, 2014).

During the six months ended April 30, 2015, the Bank issued covered bonds amounting to US$750 million and 1.0 billion euros under the covered bond legislative program (2.0 billion euros issued during the six months ended April 30, 2014). During the six months ended April 30, 2014, an amount of US$1.0 billion of covered bonds issued under the structured covered bond program came to maturity. See Note 19 for additional information on covered bonds.

NOTE 10 – OTHER LIABILITIES

	As at April 30, 2015	As at October 31, 2014
Accounts payable and accrued expenses	1,100	1,317
Subsidiaries' debts to third parties	1,428	1,472
Interest and dividends payable	701	650
Defined benefit liability	192	177
Deferred tax liabilities	103	108
Current tax liabilities	54	113
Insurance liabilities	78	72
Other items[1]	577	585
	4,233	4,494

(1) As at April 30, 2015, *Other items* included a $41 million litigation provision ($50 million as at October 31, 2014).

NOTE 11 – SUBORDINATED DEBT

On December 22, 2014, the Bank redeemed $350 million of notes maturing on December 22, 2019 at a price equal to their nominal value plus accrued interest.

(unaudited) (millions of Canadian dollars)

NOTE 12 – HEDGING ACTIVITIES

Derivative and Non-Derivative Financial Instruments Designated as Hedging Instruments

	As at April 30, 2015			As at October 31, 2014		
	Fair value hedge	Cash flow hedge	Net investment hedge	Fair value hedge	Cash flow hedge	Net investment hedge
Assets						
Derivative financial instruments	739	533	3	420	243	14
Liabilities						
Derivative financial instruments	413	345	7	178	86	–
Carrying value of non-derivative financial instruments	–	–	1,472	–	–	1,373
Notional amounts of designated derivative financial instruments	25,046	26,829	590	19,156	19,918	637

Results of the Fair Value Hedges

	Quarter ended April 30		Six months ended April 30	
	2015	2014	2015	2014
Gains (losses) on hedging instruments	(109)	(18)	69	45
Gains (losses) on hedged items attributable to the hedged risk	111	18	(69)	(46)
Ineffectiveness of fair value hedging relationships	–	–	–	1

Results of the Cash Flow Hedges

	Quarter ended April 30		Six months ended April 30	
	2015	2014	2015	2014
Unrealized gains (losses) included in *Other comprehensive income* as the effective portion of the hedging instrument	36	19	35	9
Losses (gains) reclassified to *Net interest income* in the Consolidated Statement of Income	(4)	(4)	(8)	(8)
Ineffectiveness of cash flow hedging relationships	–	–	–	–

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, 2015			
	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	63	64	207	77
Expected cash flows from hedged liabilities	93	81	185	73
Net exposure	(30)	(17)	22	4

Results of the Hedges of Net Investments in Foreign Operations

For the six-month periods ended April 30, 2015 and 2014, a negligible amount representing the ineffective portion was recognized in *Non-interest income* in the Consolidated Statement of Income.

(unaudited) (millions of Canadian dollars)

NOTE 13 – SHARE CAPITAL

Redemption of Preferred Shares

On November 17, 2014, which was the first business day after the November 15, 2014 redemption date, the Bank completed the redemption of all the issued and outstanding non-cumulative Series 16 First Preferred Shares. Pursuant to the share conditions, the redemption price was $25.00 per share plus the periodic dividend declared and unpaid. The Bank redeemed 8,000,000 Series 16 preferred shares for a total amount of $200 million, which reduced *Preferred share capital* by $200 million.

Repurchase of Common Shares

On May 7, 2015, the Bank announced that the Toronto Stock Exchange and OSFI had approved a new normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period starting on May 11, 2015 and ending no later than May 10, 2016. The shares will be repurchased on the open market at market prices through the Toronto Stock Exchange. Amounts paid above the average book value of the common shares will be charged to *Retained earnings*.

Common Shares Held in Escrow

As part of the acquisition of Wellington West Holdings Inc. in 2011, the Bank had issued common shares held in escrow. As at April 30, 2015, the number of common shares held in escrow was 977,110 (977,110 as at October 31, 2014). 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 2016.

	As at April 30, 2015		As at October 31, 2014	
	Number of shares	Shares $	Number of shares	Shares $
First Preferred Shares				
Series 16	–	–	8,000,000	200
Series 20	6,900,000	173	6,900,000	173
Series 28	8,000,000	200	8,000,000	200
Series 30	14,000,000	350	14,000,000	350
Series 32	12,000,000	300	12,000,000	300
	40,900,000	1,023	48,900,000	1,223
Common shares at beginning of the fiscal year	329,297,375	2,293	325,982,736	2,160
Issued pursuant to the Stock Option Plan	717,110	26	2,944,507	102
Impact of shares purchased or sold for trading(1)	126,959	4	405,424	31
Other	–	–	(35,292)	–
Common shares at end of the period	330,141,444	2,323	329,297,375	2,293

	Six months ended April 30			
	2015		2014	
	Dividends $	Dividends per share	Dividends $	Dividends per share
First Preferred Shares				
Series 16	–	–	5	0.6063
Series 20	5	0.7500	5	0.7500
Series 24	–	–	1	0.4125
Series 26	–	–	1	0.4125
Series 28	4	0.4750	3	0.4750
Series 30	7	0.5125	4	0.2724
Series 32	7	0.5884	–	–
	23		19	
Common shares	329	1.0000	301	0.9200
	352		320	

(1) As at April 30, 2015, 751,549 shares were sold short for trading (624,590 as at October 31, 2014) representing a total amount of $35 million ($32 million as at October 31, 2014).

(unaudited) (millions of Canadian dollars)

NOTE 14 – NON-CONTROLLING INTERESTS

	As at April 30, 2015	As at October 31, 2014
Trust units issued by NBC Asset Trust (NBC CapS II)		
Series 1(1)	409	409
Series 2(2)	359	359
Other	17	27
	785	795

(1) Includes $9 million in accrued interest ($9 million as at October 31, 2014).
(2) Includes $9 million in accrued interest ($9 million as at October 31, 2014).

NOTE 15 – CAPITAL DISCLOSURE

OSFI is requiring Canadian banks to meet the 2019 minimum "all-in" requirements, regardless of the transition period set out by the Basel Committee on Banking Supervision (BCBS). The Bank must therefore maintain a Common Equity Tier 1 (CET1) capital ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a Total capital ratio of at least 10.5%, including the 2.5% capital conservation buffer for all ratios. In March 2013, OSFI designated Canada's six largest banks, a group that includes National Bank, as Domestic Systemically Important Banks. For these banks, a 1.0% 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.

Since January 1, 2015, OSFI has been requiring Canadian banks to meet the new Basel III leverage ratio. The Basel III leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure. Banks must meet a minimum requirement of 3.0%. Until the first quarter of 2018, however, this ratio will remain subject to an observation period so that the BCBS or OSFI can increase the minimum requirement if deemed necessary.

During the quarter ended April 30, 2015, the Bank was in compliance with all of OSFI's regulatory capital and leverage ratio requirements.

Regulatory Capital and Ratios Under Basel III(1)

	As at April 30, 2015	As at October 31, 2014
Capital		
Common Equity Tier 1 (CET1)	6,344	5,985
Tier 1(2)	8,339	7,983
Total(2)	9,874	9,868
Risk-weighted assets		
Common Equity Tier 1 (CET1) capital	67,071	64,818
Tier 1 capital	67,333	65,074
Total capital	67,557	65,459
Capital ratios		
Common Equity Tier 1 (CET1)	9.5 %	9.2 %
Tier 1(2)	12.4 %	12.3 %
Total(2)	14.6 %	15.1 %
Leverage ratio(3)	3.7 %	

(1) Figures are presented on an "all-in" basis.
(2) Figures as at October 31, 2014 include the redemption of the Series 16 preferred shares on November 15, 2014.
(3) The ratio came into effect on January 1, 2015.

(unaudited) (millions of Canadian dollars)

NOTE 16 – TRADING ACTIVITY REVENUES

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

Net interest income comprises 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 realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, 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	
	2015	2014	**2015**	2014
Net interest income	**96**	125	**211**	216
Non-interest income	**14**	(33)	**117**	45
	110	92	**328**	261

NOTE 17 – SHARE-BASED PAYMENTS

Stock Option Plan

During the quarters ended April 30, 2015 and 2014, the Bank did not award any stock options. During the six months ended April 30, 2015, the Bank awarded 3,170,260 stock options (2,863,376 stock options during the six months ended April 30, 2014) with an average fair value of $7.44 per option ($5.39 in 2014).

As at April 30, 2015, there were 17,080,927 stock options outstanding (14,676,191 stock options as at October 31, 2014).

The average fair value of the options awarded was estimated on the award date using the Black-Scholes model. The following assumptions were used for accounting purposes.

	Six months ended April 30	
	2015	2014
Risk-free interest rate	**2.01%**	2.47%
Expected life of options	**7 years**	7 years
Expected volatility	**24.82%**	20.46%
Expected dividend yield	**4.0%**	4.4%

Compensation expense is presented in the following table.

	Quarter ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Compensation expense recorded for stock options	**5**	3	**10**	7

(unaudited) (millions of Canadian dollars)

NOTE 18 – EMPLOYEE BENEFITS – PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Bank offers defined benefit pension plans and other post-employment benefit plans to eligible employees. The cost associated with these plans, including the remeasurements recognized in *Other comprehensive income,* is presented in the following table.

Cost for Pension Plans and Other Post-Employment Benefit Plans

				Quarter ended April 30
	Pension plans		Other post-employment benefit plans	
	2015	2014	**2015**	2014
Current service cost	**21**	19	**1**	2
Interest expense (income), net	**(1)**	(1)	**2**	2
Administrative expenses	**1**	–		
Expense recognized in net income	**21**	18	**3**	4
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**(147)**	45	**(7)**	2
Return on plan assets (excluding interest income)	**30**	(106)		
Remeasurements recognized in *Other comprehensive income*	**(117)**	(61)	**(7)**	2
	(96)	(43)	**(4)**	6

				Six months ended April 30
	Pension plans		Other post-employment benefit plans	
	2015	2014	**2015**	2014
Current service cost	**43**	37	**2**	4
Interest expense (income), net	**(2)**	(2)	**4**	4
Administrative expenses	**2**	1		
Expense recognized in net income	**43**	36	**6**	8
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**237**	109	**11**	6
Return on plan assets (excluding interest income)	**(218)**	(163)		
Remeasurements recognized in *Other comprehensive income*	**19**	(54)	**11**	6
	62	(18)	**17**	14

(1) Changes related to the discount rate and the return on plan assets are reviewed and updated on a quarterly basis. All other assumptions are updated annually.

(unaudited) (millions of Canadian dollars)

NOTE 19 – STRUCTURED ENTITIES

A structured entity is an entity created to accomplish a narrow and well-defined objective and is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements. Structured entities are assessed for consolidation in accordance with the accounting treatment described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2014. For a detailed description of the Bank's structured entities, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2014. The Bank's maximum exposure to loss resulting from its interests in these structured entities consists primarily of the investments in these entities, the fair value of the derivative contracts entered into with them, and the backstop liquidity and credit enhancement facilities granted to certain structured entities.

The following table presents the carrying amounts of the assets and liabilities relating to the Bank's interests in non-consolidated structured entities, the Bank's maximum exposure to loss from these interests, as well as the total assets of these structured entities.

					As at April 30, 2015
	Multi-seller conduits(1)	**Master asset vehicles(2)**	**Investment funds(3)**	**Private investments(4)**	**NBC Capital Trust(5)**
Assets on the Consolidated Balance Sheet					
Securities at fair value through profit or loss	43	1,126	34	–	–
Available-for-sale securities	–	12	46	93	–
Derivative financial instruments	8	–	–	–	–
	51	1,138	80	93	–
As at October 31, 2014	34	1,241	992	87	–
Liabilities on the Consolidated Balance Sheet					
Deposits – Business and government	–	–	–	–	225
Other liabilities	–	–	–	–	4
	–	–	–	–	229
As at October 31, 2014	–	–	–	–	229
Maximum exposure to loss					
Securities and derivative financial instruments	51	1,138	80	93	–
Liquidity and credit enhancement facilities	2,018	–	–	–	–
Margin funding facility	–	821	–	–	–
	2,069	1,959	80	93	–
As at October 31, 2014	2,164	2,072	992	87	–
Total assets of the structured entities	2,052	–	359	3,205	238
As at October 31, 2014	2,174	–	6,029	3,218	241

(1) The main underlying assets, located in Canada, are residential mortgages, automobile loans, automobile inventory financings, and other receivables. As at April 30, 2015, the notional committed amount of the global-style liquidity facilities totalled $2.0 billion ($2.2 billion as at October 31, 2014), 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, 2014). The maximum exposure to loss cannot exceed the amount of commercial paper outstanding. As at April 30, 2015, the Bank held $43 million in commercial paper ($30 million as at October 31, 2014) and, consequently, the maximum potential amount of future payments as at April 30, 2015 is limited to $2.0 billion ($2.1 billion as at October 31, 2014), which represents the undrawn liquidity and credit enhancement facilities.

(2) The total amount outstanding of restructured notes of the MAV conduits was $16 billion as at April 30, 2015 ($18 billion as at October 31, 2014).

(3) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.

(4) The underlying assets are private investments. The amount of total assets of the structured entities corresponds to the amount for the most recent available period.

(5) The underlying asset is a deposit note from the Bank. See Note 9.

The following table presents the Bank's investments and other assets in the consolidated structured entities as well as the total assets of these entities.

	As at April 30, 2015		As at October 31, 2014	
	Investments and other assets	**Total assets[1]**	Investments and other assets	Total assets[1]
Consolidated structured entities				
Securitization of the Bank's credit card receivables[2][3]	**280**	**1,618**	342	1,636
National Bank hedge fund managed accounts (Innocap platform)[3][4]	**75**	**74**	467	549
Investment funds[5]	**484**	**532**	281	332
Covered bonds[6]	**9,765**	**10,045**	10,315	10,696
Building[7]	**71**	**64**	73	66
NBC Asset Trust[8]	**1,125**	**1,898**	938	1,709
	11,800	**14,231**	12,416	14,988

(1) There are restrictions that stem mainly from regulatory requirements, corporate or securities laws and contractual arrangements, which limit the ability of certain consolidated structured entities to transfer funds to the Bank.
(2) The underlying assets are credit card receivables. On April 2, 2015, Canadian Credit Card Trust II (CCCT II) was established in order to continue the securitization program of the Bank's credit card receivables of Canadian Credit Card Trust (CCCT), as CCCT will be dissolved on February 28, 2018 in accordance with the terms of the deed of settlement under which it was established. On April 10, 2015, all of CCCT's assets were transferred to CCCT II and all of its liabilities were assumed by CCCT II.
(3) The Bank's investment is presented net of third-party holdings.
(4) The underlying assets are various financial instruments (trading portfolio). The total assets of the Innocap platform are presented on a net asset basis.
(5) The underlying assets are various financial instruments and are presented on a net asset basis. Certain investment funds are in a trading portfolio.
(6) For the covered bonds issued under the covered bond legislative program, the underlying assets are uninsured residential mortgage loans of the Bank. 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 of the Bank. The average maturity of these underlying assets is two years. As at April 30, 2015, the total amount of transferred mortgage loans was $9.8 billion ($10.3 billion as at October 31, 2014) and the total amount of covered bonds of $7.4 billion was recognized in *Deposits – Business and government* on the Consolidated Balance Sheet ($5.1 billion as at October 31, 2014). See Note 9.
(7) The underlying asset is a building located in Canada.
(8) The underlying assets are insured and uninsured residential mortgage loans of the Bank. As at April 30, 2015, insured loans amounted to $239 million ($253 million as at October 31, 2014). The average maturity of the underlying assets is two years.

NOTE 20 – EARNINGS PER SHARE

Diluted earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding after taking into account the dilution effect of stock options using the treasury stock method.

	Quarter ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Basic earnings per share				
Net income attributable to the Bank's shareholders	**388**	345	**785**	734
Dividends on preferred shares	**11**	10	**23**	19
Net income attributable to common shareholders	**377**	335	**762**	715
Weighted average basic number of common shares outstanding *(thousands)*	**329,275**	327,318	**329,074**	326,907
Basic earnings per share *(dollars)*	**1.14**	1.02	**2.32**	2.19
Diluted earnings per share				
Net income attributable to common shareholders	**377**	335	**762**	715
Weighted average basic number of common shares outstanding *(thousands)*	**329,275**	327,318	**329,074**	326,907
Adjustment to average number of common shares *(thousands)*				
Stock options[1]	**3,574**	3,398	**3,758**	3,507
Weighted average diluted number of common shares outstanding *(thousands)*	**332,849**	330,716	**332,832**	330,414
Diluted earnings per share *(dollars)*	**1.13**	1.01	**2.29**	2.16

(1) For the quarter ended April 30, 2015, the diluted earnings per share calculation does not include an average number of 3,170,260 options outstanding with a weighted average exercise price of $47.93 (2,855,584 options outstanding with a weighted average exercise price of $44.96 for the quarter and the six months ended April 30, 2014), 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, 2015, as the exercise price of the options was 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 21 – SEGMENT DISCLOSURES

Quarter ended April 30

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income[1]	430	411	81	79	285	231	(156)	(72)	640	649
Non-interest income	250	234	310	251	125	106	96	36	781	627
Total revenues	680	645	391	330	410	337	(60)	(36)	1,421	1,276
Non-interest expenses	396	379	255	236	187	162	98	22	936	799
Contribution	284	266	136	94	223	175	(158)	(58)	485	477
Provisions for credit losses	56	51	1	–	–	–	–	–	57	51
Income before income taxes (recovery)	228	215	135	94	223	175	(158)	(58)	428	426
Income taxes (recovery)[1]	62	58	32	25	63	47	(133)	(66)	24	64
Net income	166	157	103	69	160	128	(25)	8	404	362
Non-controlling interests	–	–	–	–	2	3	14	14	16	17
Net income attributable to the Bank's shareholders	166	157	103	69	158	125	(39)	(6)	388	345
Average assets	86,200	80,748	10,124	10,529	89,329	82,054	37,278	28,768	222,931	202,099

Six months ended April 30

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income[2]	871	830	163	155	523	404	(261)	(126)	1,296	1,263
Non-interest income	500	473	570	498	305	298	160	108	1,535	1,377
Total revenues	1,371	1,303	733	653	828	702	(101)	(18)	2,831	2,640
Non-interest expenses	793	760	494	466	362	329	150	60	1,799	1,615
Contribution	578	543	239	187	466	373	(251)	(78)	1,032	1,025
Provisions for credit losses	110	101	1	1	–	–	–	–	111	102
Income before income taxes (recovery)	468	442	238	186	466	373	(251)	(78)	921	923
Income taxes (recovery)[2]	127	119	59	49	128	100	(212)	(112)	102	156
Net income	341	323	179	137	338	273	(39)	34	819	767
Non-controlling interests	–	–	–	–	5	5	29	28	34	33
Net income attributable to the Bank's shareholders	341	323	179	137	333	268	(68)	6	785	734
Average assets	85,567	80,113	10,156	10,555	89,491	83,839	35,480	29,421	220,694	203,928

(1) 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 $123 million ($61 million in 2014). An equivalent amount was added to *Income taxes (recovery)*. The impact of these adjustments is reversed under the *Other* heading.
(2) For the six months ended April 30, 2015, *Net interest income* was grossed up by $186 million ($105 million in 2014). 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 for the Bank.

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

NOTE 22 – ACQUISITION AND DISPOSAL

Acquisition

During the quarter ended April 30, 2015, the Bank, through one its subsidiaries, acquired tangible assets leased under operating leases for $634 million and recognized them in *Premises and equipment* on the Consolidated Balance Sheet.

Disposal

On March 12, 2015, through one of its subsidiaries, the Bank disposed of 9,083,000 Class A subordinate voting shares of Fiera Capital Corporation (Fiera Capital) at a per-share price of $12.60 for gross proceeds of $114 million. The Bank's ownership percentage in Fiera Capital now stands at 22% compared to 35% before the transaction. A gain of $34 million ($29 million net of income taxes), as well as $5 million in direct charges ($4 million net of income taxes), on this disposal of Fiera Capital shares were recognized in the *Non-interest income – Other* and *Non-interest expenses – Other* items, respectively, of the Consolidated Statement of Income for the quarter ended April 30, 2015 and were presented in the Wealth Management segment.

NOTE 23 – EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

Acquisition of an Equity Interest in an Associate

On March 25, 2015, the Bank announced its intention to acquire an equity interest in NSIA Participations (NSIA), a financial group headquartered in Abidjan, Côte d'Ivoire. Through this transaction, the Bank and Amethis Africa Finance (Amethis Finance) are acquiring the interest held by ECP Africa Fund III PCC in NSIA. The Bank will have a 20.9% interest, while that of Amethis Finance will be 5.4%. The transaction is expected to be concluded during the third quarter of fiscal 2015.

Repurchase of Common Shares

On May 7, 2015, the Bank announced that the Toronto Stock Exchange and OSFI had approved the new normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period starting on May 11, 2015 and ending no later than May 10, 2016. The shares will be repurchased on the open market at market prices through the Toronto Stock Exchange. Amounts paid above the average book value of the common shares will be charged to *Retained earnings*.

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
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Fax: 514-394-6258

Quarterly Report Publication Dates for Fiscal 2015
(subject to approval by the Board of Directors of the Bank)

First quarter	February 25
Second quarter	May 27
Third quarter	August 26
Fourth quarter	December 2

Disclosure of Second Quarter 2015 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, May 27, 2015 at 11:00 a.m. EDT.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-340-2217. The access code is 1937377#.
- A recording of the conference call can be heard until June 24, 2015 by dialing 1-800-408-3053 or 905-694-9451. The access code is 4796186#.

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 *Report to Shareholders* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Report to Shareholders*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital Disclosure*, 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 Robert-Bourassa Boulevard, 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