Report to Shareholders — First Quarter 2019

National Bank reports its results for the First Quarter of 2019

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter ended January 31, 2019 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, February 27, 2019 – For the first quarter of 2019, National Bank is reporting net income of $552 million, an increase from $550 million in the first quarter of 2018. Its diluted earnings per share stood at $1.50 in the first quarter of 2019 compared to $1.46 in the same quarter of 2018, a 3% increase driven essentially by growth in most business segments, tempered by a slowdown in the Financial Markets segment.

Commenting on the Bank's financial results for the first quarter of 2019, Louis Vachon, President and Chief Executive Officer noted that "National Bank delivered good performance despite challenging markets." "We continue to benefit from the diversification of our business, a strong Quebec economy and our prudent approach to risk. Credit quality remains excellent, and the Bank posted solid capital ratios," added Mr. Vachon.

Highlights

(millions of Canadian dollars)		Quarter ended January 31	
	2019	2018	% Change
Net income	**552**	550	–
Diluted earnings per share *(dollars)*	**$ 1.50**	$ 1.46	3
Return on common shareholders' equity	**17.2 %**	18.7 %	
Dividend payout ratio	**41 %**	42 %	

	As at January 31, 2019	As at October 31, 2018
CET1 capital ratio under Basel III	**11.5 %**	11.7 %
Leverage ratio under Basel III	**4.1 %**	4.0 %

Personal and Commercial

- Net income totalled $246 million in the first quarter of 2019, up 7% from $230 million in the first quarter of 2018.
- At $852 million, the 2019 first-quarter total revenues rose $37 million or 5% year over year.
- Personal lending was up 5%, particularly due to mortgage lending, while commercial lending grew 10% from a year ago.
- Net interest margin stood at 2.22% in the first quarter of 2019 compared to 2.24% in the first quarter of 2018.
- First-quarter non-interest expenses were up 3% year over year.
- At 53.8%, the first-quarter efficiency ratio improved from 54.4% in the first quarter of 2018.

Wealth Management

- Net income totalled $125 million in the first quarter of 2019, a 10% increase from $114 million in the same quarter of 2018.
- The 2019 first-quarter total revenues amounted to $434 million compared to $424 million in the same quarter of 2018, a $10 million increase driven by growth in net interest income.
- First-quarter non-interest expenses stood at $265 million compared to $269 million in the first quarter of 2018, a decrease owing to lower variable compensation and management fees associated with lower fee-based revenues.
- At 61.1%, the first-quarter efficiency ratio improved from 63.4% in the first quarter of 2018.

Financial Markets

- Net income totalled $170 million in the first quarter of 2019, down 17% from $204 million in the same quarter of 2018.
- The 2019 first-quarter total revenues on a taxable equivalent basis(1) amounted to $410 million, a $44 million or 10% year-over-year decrease attributable mainly to lower investment banking revenues and lower gains on investments.
- First-quarter non-interest expenses stood at $175 million, stable when compared to the first quarter of 2018.
- At 42.7%, the first-quarter efficiency ratio on a taxable equivalent basis compares to 38.8% in the first quarter of 2018.

U.S. Specialty Finance and International

- Net income totalled $60 million in the first quarter of 2019, a 20% increase from $50 million in the first quarter of 2018.
- The 2019 first-quarter total revenues amounted to $171 million, a $10 million year-over-year increase owing to revenue growth at the ABA Bank subsidiary.
- First-quarter non-interest expenses stood at $68 million, an $8 million year-over-year increase attributable to expansion of ABA Bank's banking network.

Other

- The *Other* heading posted a net loss of $49 million in the first quarter of 2019 versus a $48 million net loss in the same quarter of 2018.

Capital Management

- As at January 31, 2019, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 11.5%, down when compared to 11.7% as at October 31, 2018.
- As at January 31, 2019, the Basel III leverage ratio was 4.1%, up from 4.0% as at October 31, 2018.

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.

Management's Discussion and Analysis

February 26, 2019

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 quarter ended January 31, 2019 and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the quarter ended January 31, 2019 and with the *2018 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.

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Economic Review and Outlook section of this *Report to Shareholders* and in the Major Economic Trends section of the *2018 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 2019 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 2019 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 credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 52 of the *2018 Annual Report*; specifically, 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; 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 section of the *2018 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

As stated in Note 2 to its audited annual consolidated financial statements for the year ended October 31, 2018, the Bank adopted IFRS 15 on November 1, 2018. As permitted by IFRS 15, the Bank did not restate comparative consolidated financial statements, and Note 2 to these consolidated financial statements presents the impact of IFRS 15 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2018. Since interim 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, 2018.

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the year beginning November 1, 2018. This presentation reflects the fact that advisor banking service activities, which had previously been presented in the Wealth Management segment, are now presented in the Personal and Commercial segment. The Bank made this change to better align the monitoring of its activities with its management structure.

Non-GAAP Financial Measures

The Bank uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with GAAP, which are based on IFRS. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying financial performance of the Bank's operations. Securities regulators require companies to caution readers that non-GAAP financial measures do not have a standardized meaning under GAAP and therefore may not be comparable to similar measures used by other companies.

Like many other financial institutions, the Bank uses the taxable equivalent basis to calculate net interest income, non-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 been otherwise 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.

The specified items related to the acquisitions of recent years (mainly those of the Wealth Management segment) are no longer presented as specified items as of November 1, 2018, since the amounts are not considered significant. The figures for the quarter ended January 31, 2018 reflect this change.

Financial Information

(millions of Canadian dollars, except per share amounts)			Quarter ended January 31
	2019	2018	% Change
Net income[1]			
Personal and Commercial	**246**	230	7
Wealth Management	**125**	114	10
Financial Markets	**170**	204	(17)
U.S. Specialty Finance and International	**60**	50	20
Other	**(49)**	(48)	
Net income	**552**	550	–
Diluted earnings per share	**$ 1.50**	$ 1.46	3
Return on common shareholders' equity	**17.2 %**	18.7 %	

(1) For the quarter ended January 31, 2018, certain amounts have been reclassified from those previously reported, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.

Highlights

(millions of Canadian dollars, except per share amounts)			Quarter ended January 31
	2019	2018	% Change
Operating results			
Total revenues	**1,799**	1,806	–
Total revenues on a taxable equivalent basis[1]	**1,862**	1,865	–
Net income	**552**	550	–
Net income attributable to the Bank's shareholders	**536**	527	2
Return on common shareholders' equity	**17.2 %**	18.7 %	
Efficiency ratio on a taxable equivalent basis[1]	**55.1 %**	54.9 %	
Earnings per share			
Basic	**$ 1.51**	$ 1.48	2
Diluted	**1.50**	1.46	3
Common share information			
Dividends declared	**$ 0.65**	$ 0.60	
Book value	**34.85**	31.75	
Share price			
High	**61.80**	65.35	
Low	**54.97**	62.33	
Close	**61.80**	63.84	
Number of common shares *(thousands)*	**335,500**	340,390	
Market capitalization	**20,734**	21,730	

(millions of Canadian dollars)	**As at January 31, 2019**	As at October 31, 2018	% Change
Balance sheet and off-balance-sheet			
Total assets	**263,355**	262,471	–
Loans and acceptances, net of allowances	**146,710**	146,082	–
Net impaired loans[2] as a % of loans and acceptances	**0.3 %**	0.3 %	
Deposits	**172,930**	170,830	1
Equity attributable to common shareholders	**11,693**	11,526	1
Assets under administration and under management	**510,036**	485,080	5
Regulatory ratios under Basel III			
Capital ratios			
Common Equity Tier 1 (CET1)	**11.5 %**	11.7 %	
Tier 1	**15.1 %**	15.5 %	
Total	**16.3 %**	16.8 %	
Leverage ratio	**4.1 %**	4.0 %	
Liquidity coverage ratio (LCR)	**139 %**	147 %	
Other information			
Number of employees – worldwide	**23,960**	23,450	2
Number of branches in Canada	**428**	428	–
Number of banking machines in Canada	**938**	937	–

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(2) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and do not include purchased or originated credit-impaired (POCI) loans.

Economic Review and Outlook

Global Economy

In a context of trade tensions and the U.S. government shutdown, the financial markets have experienced significant volatility in recent months. This volatility has been further exacerbated by disappointing economic data. While China and the Eurozone appear on shaky ground, global economic growth this year is likely to slow to around 3.5%. Fortunately, with inflation still under control, the major central banks should be able to maintain accommodative monetary policies, while certain governments, including China's, still have flexibility to adopt fiscal stimulus measures should the risks of declining growth materialize. After a year of strong growth, the U.S. economy is also expected to lose momentum in 2019. Nevertheless, it should still grow at a rate of 2.3% in 2019 thanks to fiscal stimulus and a monetary policy that remains accommodative. Optimism among businesses remains high, which bodes well for employment and investment. And households are also showing high levels of confidence, mainly due to the very low unemployment rate and improved wage growth, which should support consumer spending in the coming quarters. Nevertheless, in a still-uncertain geopolitical context, it would be surprising to see the U.S. Federal Reserve increase rates again in the coming months, as inflation is under control and financing conditions have tightened recently.

Canadian Economy

The Canadian economy remained resilient in 2018 despite concerns over real estate and household debt as interest rates rise. Tighter lending conditions for uninsured mortgages had the desired effect, slowing the housing sector in the tightest and most expensive markets (Vancouver and Toronto). Despite a drop in market activity, home resales remained near their 10-year average, which suggests that prices will not drop much. What's more, the increase in national immigration quotas will bring considerable support to markets in the major urban centres. However, the real estate slowdown seems to have affected retail sales in the country, as reflected by weakness in certain categories, particularly furniture, appliances, and construction materials. Given this context, the Bank believes that the central bank will exercise caution before introducing any more rate hikes in order to gauge the impacts of steps already taken. Moreover, by maintaining the status quo for a few months, the Bank of Canada will be able to determine how the oil-producing provinces are coping with low prices. That being said, the labour market remains tight in Canada, which should translate into good wage growth and support consumer spending. The recent decline in the Canadian dollar favours exports, and exporters were relieved by the new United States–Mexico–Canada Agreement (USMCA). They may now pick up the pace of investment, especially because in late 2018, Ottawa and Quebec City introduced measures allowing for the accelerated depreciation of capital investments. The Canadian economy should grow by 1.8% in 2019, which is still above its potential.

The Quebec economy continues to perform well. Following GDP growth of 2.8% in 2017 and close to 2.5% in 2018, the pace should slow to 1.9% in 2019. Consumption is still expected to contribute to growth this year, as households are demonstrating a high degree of optimism given the record low unemployment rate. Furthermore, with the strong wage gains seen over the last year, Quebec households have been able to maintain a savings rate that is much higher than the national average. This serves as a buffer that could support consumption in 2019. Quebec has a lower household debt level than the rest of Canada, making the province's economy less sensitive to interest rates hikes. In fact, the housing sector in Quebec has been spared the slowdown seen in Ontario and British Columbia. Home resales in Quebec reached a record level in 2018. Despite a labour shortage, business confidence remains strong and should translate into a faster pace of investment to offset the scarcity of workers.

Financial Analysis

Consolidated Results

(millions of Canadian dollars)	Quarter ended January 31		
	2019	2018	% Change
Operating results			
Net interest income	863	834	3
Non-interest income	936	972	(4)
Total revenues	1,799	1,806	–
Non-interest expenses	1,026	1,024	–
Contribution	773	782	(1)
Provisions for credit losses	88	87	1
Income before income taxes	685	695	(1)
Income taxes	133	145	(8)
Net income	552	550	–
Diluted earnings per share *(dollars)*	1.50	1.46	3
Taxable equivalent basis(1)			
Net interest income	35	38	
Non-interest income	28	21	
Income taxes	63	59	
Impact of taxable equivalent basis on net income	–	–	
Operating results on a taxable equivalent basis(1)			
Net interest income on a taxable equivalent basis	898	872	3
Non-interest income on a taxable equivalent basis	964	993	(3)
Total revenues on a taxable equivalent basis	1,862	1,865	–
Non-interest expenses	1,026	1,024	–
Contribution on a taxable equivalent basis	836	841	(1)
Provisions for credit losses	88	87	1
Income before income taxes on a taxable equivalent basis	748	754	(1)
Income taxes on a taxable equivalent basis	196	204	(4)
Net income	552	550	–
Diluted earnings per share *(dollars)*	1.50	1.46	3
Average assets	279,426	262,425	6
Average loans and acceptances	146,083	135,925	7
Net impaired loans(2) as a % of average loans and acceptances	0.3 %	0.3 %	
Average deposits	176,490	164,286	7
Efficiency ratio on a taxable equivalent basis(1)	55.1 %	54.9 %	

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(2) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and do not include POCI loans.

Financial Results

For the first quarter of 2019, the Bank reported net income of $552 million, a $2 million increase from $550 million in the first quarter of 2018. First-quarter diluted earnings per share stood at $1.50, up 3% from $1.46 in the same quarter of 2018. The growth was essentially driven by good performance in the Personal and Commercial, Wealth Management and U.S. Specialty Finance and International (USSF&I) segments, while the Financial Markets segment faced a slowdown in the first quarter of 2019.

Return on common shareholders' equity was 17.2% for the quarter ended January 31, 2019 compared to 18.7% in the first quarter of 2018.

Total Revenues

For the first quarter of 2019, the Bank's total revenues amounted to $1,799 million, relatively stable when compared to the first quarter of 2018. The Personal and Commercial segment's total revenues were up 5% owing to growth in loan and deposit volumes, and the Wealth Management segment's revenues were up 2% owing to growth in deposit volumes and improved deposit margins. Furthermore, the USSF&I segment's total revenues grew 6%, essentially due to revenue growth at the ABA Bank subsidiary. These increases were tempered by a decrease in the Financial Markets segment's revenues given a slowdown in financial markets activity during the first quarter of 2019 and lower year-over-year gains on investments.

Non-Interest Expenses

During the first quarter of 2019, non-interest expenses stood at $1,026 million, up $2 million year over year. Higher occupancy and other expenses, partly attributable to the ABA Bank subsidiary's growing banking network, were partly offset by a decrease in compensation and employee benefits, in particular lower variable compensation resulting from lower revenues generated by the Financial Markets segment.

Provisions for Credit Losses

For the first quarter of 2019, the Bank recorded $88 million in provisions for credit losses, relatively stable when compared to $87 million in the same quarter of 2018. Higher provisions for credit losses on non-impaired Commercial Banking loans and on Financial Markets loans were largely offset by lower provisions for credit losses on Personal Banking loans and on USSF&I segment loans, particularly lower credit loss provisions on non-impaired loans at the Credigy subsidiary.

As at January 31, 2019, gross impaired loans stood at $603 million compared to $630 million as at October 31, 2018, while net impaired loans stood at $373 million compared to $404 million as at October 31, 2018, a $31 million decrease attributable to commercial loans. All loans classified in Stage 3 of the expected credit loss model are impaired loans and do not include purchased or originated credit-impaired loans.

Income Taxes

For the first quarter of 2019, income taxes stood at $133 million compared to $145 million in the same quarter of 2018. The 2019 first-quarter effective income tax rate was 19% versus 21% in the same quarter of 2018. This change in the effective income tax rate was mainly due to a lower tax rate for the Credigy subsidiary arising from the U.S. tax reform.

Results by Segment

The Bank carries out its activities in four business segments. For presentation purposes, other operating activities and 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 January 31		
	2019	2018[1]	% Change
Operating results			
Net interest income	**589**	560	5
Non-interest income	**263**	255	3
Total revenues	**852**	815	5
Non-interest expenses	**458**	443	3
Contribution	**394**	372	6
Provisions for credit losses	**58**	58	–
Income before income taxes	**336**	314	7
Income taxes	**90**	84	7
Net income	**246**	230	7
Net interest margin[2]	**2.22 %**	2.24 %	
Average interest-bearing assets	**105,389**	99,403	6
Average assets	**111,145**	104,612	6
Average loans and acceptances	**110,589**	104,237	6
Net impaired loans[3]	**347**	355	(2)
Net impaired loans[3] as a % of average loans and acceptances	**0.3 %**	0.3 %	
Average deposits	**61,393**	56,519	9
Efficiency ratio	**53.8 %**	54.4 %	

(1) For the quarter ended January 31, 2018, certain amounts have been reclassified from those previously reported, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.
(2) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.
(3) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Personal and Commercial segment, net income totalled $246 million in the first quarter of 2019, up 7% from $230 million in the first quarter of 2018. The segment's 2019 first-quarter total revenues were up $37 million year over year owing to a $29 million increase in net interest income and an $8 million increase in non-interest income. The increase in net interest income was driven by higher personal and commercial loan and deposit volumes. This growth was tempered by a slight narrowing of the net interest margin, which was 2.22% in the first quarter of 2019 versus 2.24% in the first quarter of 2018, a decrease arising mainly from loan margins.

Personal Banking's first-quarter total revenues rose $7 million year over year. This increase was essentially driven by growth in loan and deposit volumes, tempered by a slight narrowing of loan margins, and by higher insurance revenues. Commercial Banking's first-quarter total revenues rose $30 million year over year, mainly due to higher net interest income driven by growth in deposit and loan volumes and by improved deposit margins. Also contributing to Commercial Banking's revenue growth were increases in revenues from credit fees as well as revenues from derivative financial instruments and foreign exchange activities.

Year over year, the Personal and Commercial segment's first-quarter non-interest expenses increased by $15 million, mainly due to higher compensation and employee benefits and higher operations support charges. At 53.8%, its first-quarter efficiency ratio improved by 0.6 percentage points from first-quarter 2018. At $58 million, the first-quarter provisions for credit losses remained stable year over year, with higher provisions on commercial loans—essentially non-impaired loans—being offset by lower provisions on personal loans.

Wealth Management

(millions of Canadian dollars)	Quarter ended January 31		
	2019	2018[1]	% Change
Operating results			
Net interest income	128	108	19
Fee-based revenues	242	246	(2)
Transaction-based and other revenues	64	70	(9)
Total revenues	434	424	2
Non-interest expenses	265	269	(1)
Contribution	169	155	9
Provisions for credit losses	–	–	–
Income before income taxes	169	155	9
Income taxes	44	41	7
Net income	125	114	10
Average assets	6,492	6,030	8
Average loans and acceptances	4,911	4,501	9
Net impaired loans[2]	3	3	–
Average deposits	33,129	31,006	7
Assets under administration and under management	510,036	495,702	3
Efficiency ratio	61.1 %	63.4 %	

(1) For the quarter ended January 31, 2018, certain amounts have been reclassified from those previously reported, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.
(2) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Wealth Management segment, net income totalled $125 million for the first quarter of 2019, a 10% increase from $114 million in the same quarter of 2018. The segment's first-quarter total revenues amounted to $434 million compared to $424 million in the first quarter of 2018, a $10 million increase stemming mainly from higher net interest income, which was up due to growth in deposit volumes and to an improved deposit margin. Transaction-based and other revenues were down 9%, essentially due to a decrease in transaction volume during the first quarter of 2019. Fee-based revenues were down 2%, as volume growth for assets under administration and assets under management generated by net inflows into various solutions was offset by a decline in stock market prices during the quarter ended January 31, 2019.

Wealth Management's first-quarter non-interest expenses stood at $265 million, a 1% year-over-year decrease that was mainly due to lower variable compensation and external management fees associated with lower fee-based revenues. At 61.1%, the segment's first-quarter efficiency ratio improved by 2.3 percentage points from first-quarter 2018. The segment's provisions for credit losses were nil in both the first quarters of 2019 and 2018.

Financial Markets

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

	Quarter ended January 31		
	2019	2018(2)	% Change
Operating results			
Global markets			
Equities	**137**	138	(1)
Fixed-income	**66**	82	(20)
Commodities and foreign exchange	**48**	37	30
	251	257	(2)
Corporate and investment banking	**160**	181	(12)
Gains on investments and other	**(1)**	16	
Total revenues on a taxable equivalent basis	**410**	454	(10)
Non-interest expenses	**175**	176	(1)
Contribution on a taxable equivalent basis	**235**	278	(15)
Provisions for credit losses	**3**	–	
Income before income taxes on a taxable equivalent basis	**232**	278	(17)
Income taxes on a taxable equivalent basis	**62**	74	(16)
Net income	**170**	204	(17)
Average assets	**104,545**	101,816	3
Average loans and acceptances	**16,230**	14,025	16
Net impaired loans(3)	**7**	–	
Average deposits	**27,100**	22,430	21
Efficiency ratio on a taxable equivalent basis(1)	**42.7 %**	38.8 %	

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(2) For the quarter ended January 31, 2018, certain amounts have been reclassified.
(3) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Financial Markets segment, the 2019 first-quarter net income totalled $170 million compared to $204 million in the same quarter of 2018, and first-quarter total revenues on a taxable equivalent basis amounted to $410 million compared to $454 million in the same quarter of 2018. Global markets revenues were down 2%, mainly due to decreases in revenues from fixed-income securities, partly offset by an increase in revenues from commodities and foreign exchange activities. As for revenues from corporate and investment banking services, they were down 12% compared to first-quarter 2018 due to a decline in the number of investment banking transactions during first-quarter 2019, partly offset by growth in lending activity. Lastly, higher gains on investments and other revenues were recorded in the first quarter of fiscal 2018.

The segment's first-quarter non-interest expenses stood at $175 million, down $1 million year over year for a relatively stable result. Lower variable compensation arising from lower revenues was offset by an increase in operations support charges. At 42.7%, the efficiency ratio on a taxable equivalent basis compares to 38.8% in the first quarter of 2018. The segment's provisions for credit losses stood at $3 million in the first quarter of 2019 compared to nil in the same quarter of 2018.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended January 31		
	2019	2018	% Change
Total revenues			
Credigy	105	117	(10)
ABA Bank	65	43	51
International	1	1	–
	171	161	6
Non-interest expenses			
Credigy	36	39	(8)
ABA Bank	31	20	55
International	1	1	–
	68	60	13
Contribution	103	101	2
Provisions for credit losses			
Credigy	23	26	(12)
ABA Bank	4	3	33
	27	29	(7)
Income before income taxes	76	72	6
Income taxes	16	22	(27)
Net income	60	50	20
Non-controlling interests	10	9	11
Net income attributable to the Bank's shareholders	50	41	22
Average assets	10,448	8,777	19
Average loans and receivables	8,808	7,702	14
Net impaired loans[(1)]	16	13	23
Purchased or originated credit-impaired (POCI) loans	1,395	1,352	3
Average deposits	2,758	1,532	80
Efficiency ratio	39.8 %	37.3 %	

(1) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and do not include POCI loans.

In the U.S. Specialty Finance and International segment, net income totalled $60 million in the first quarter of 2019, a 20% increase from $50 million in the same quarter of 2018. The segment's first-quarter total revenues amounted to $171 million compared to $161 million in the first quarter of 2018. A 51% increase in revenues at the ABA Bank subsidiary, driven by loan and deposit growth, was offset by lower revenues at the Credigy subsidiary when compared to the first quarter of 2018.

For the first quarter of 2019, the segment's non-interest expenses stood at $68 million, an $8 million year-over-year increase attributable to ABA Bank's growing banking network. At the Credigy subsidiary, non-interest expenses were down 8% as a result of lower revenues. The segment's first-quarter provisions for credit losses were $27 million, a $2 million year-over-year decrease due essentially to lower provisions for credit losses on non-impaired loans of the Credigy subsidiary.

The segment's effective tax rate was down in the first quarter of 2019 compared to the same quarter of 2018, as the U.S. tax reform resulted in a lower income tax rate for Credigy.

Other

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

	Quarter ended January 31	
	2019	2018(2)
Operating results		
Net interest income on a taxable equivalent basis	(54)	(42)
Non-interest income on a taxable equivalent basis	49	53
Total revenues on a taxable equivalent basis	(5)	11
Non-interest expenses	60	76
Contribution on a taxable equivalent basis	(65)	(65)
Provisions for credit losses	–	–
Income before income taxes on a taxable equivalent basis	(65)	(65)
Income taxes (recovery) on a taxable equivalent basis	(16)	(17)
Net loss	(49)	(48)
Non-controlling interests	6	14
Net loss attributable to the Bank's shareholders	(55)	(62)
Average assets	46,796	41,190

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(2) For the quarter ended January 31, 2018, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of $49 million in the first quarter of 2019 compared to a net loss of $48 million in the same quarter of 2018. First-quarter total revenues declined year over year, mainly due to the impact of market volatility on the Bank's asset/liability management portfolio. As for the first-quarter non-interest expenses, they were down due to decreases in variable compensation and employee benefits.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at January 31, 2019	As at October 31, 2018	% Change
Assets			
Cash and deposits with financial institutions	12,353	12,756	(3)
Securities	74,713	69,783	7
Securities purchased under reverse repurchase agreements and securities borrowed	15,162	18,159	(17)
Loans and acceptances, net of allowances	146,710	146,082	–
Other	14,417	15,691	(8)
	263,355	262,471	–
Liabilities and equity			
Deposits	172,930	170,830	1
Other	75,146	76,539	(2)
Subordinated debt	764	747	2
Equity attributable to the Bank's shareholders	14,143	13,976	1
Non-controlling interests	372	379	(2)
	263,355	262,471	–

Assets

As at January 31, 2019, the Bank had total assets of $263.4 billion, up $0.9 billion from $262.5 billion as at October 31, 2018. At $12.4 billion as at January 31, 2019, cash and deposits with financial institutions were down $0.4 billion. Securities rose $4.9 billion since October 31, 2018, essentially due to a $3.6 billion or 6% increase in securities at fair value through profit or loss, which was mostly attributable to a $4.0 billion increase in securities issued or guaranteed by U.S. Treasury, other U.S. agencies, and other foreign governments and to a $4.3 billion increase in equity securities, partly offset by a $1.1 billion decrease in securities issued or guaranteed by the Canadian government and a $3.4 billion decrease in securities issued or guaranteed by Canadian provincial and municipal governments. Securities other than those measured at fair value through profit or loss were up $1.3 billion. Securities purchased under reverse repurchase agreements and securities borrowed decreased by $3.0 billion, mainly related to the activities of the Financial Markets segment.

At $147.4 billion as at January 31, 2019, loans and acceptances rose $0.6 billion since October 31, 2018. Specifically, residential mortgages (including home equity lines of credit) grew $0.5 billion, personal loans and credit card receivables decreased by $0.7 billion and $0.1 billion, respectively, and loans and acceptances to business and government were up 2% owing to growth in Commercial Banking activities. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	**As at January 31, 2019**	As at October 31, 2018	As at January 31, 2018
Loans and acceptances			
Residential mortgage and home equity lines of credit	**76,312**	75,773	72,371
Personal	**14,517**	15,235	14,734
Credit card	**2,249**	2,325	2,206
Business and government	**54,296**	53,407	47,704
	147,374	146,740	137,015

When compared to a year ago, loans and acceptances grew $10.4 billion or 8%. Residential mortgages (including home equity lines of credit) were up 5% due to sustained demand for mortgage credit and business growth at the ABA Bank subsidiary. Also compared to a year ago, personal loans were down 1%, whereas credit card receivables rose 2%, and loans and acceptances to businesses and governments grew 14%, i.e., a $6.6 billion increase driven by Commercial Banking and corporate financing activities.

Liabilities

As at January 31, 2019, the Bank had total liabilities of $248.8 billion compared to $248.1 billion as at October 31, 2018.

The Bank's total deposit liability stood at $172.9 billion as at January 31, 2019 compared $170.8 billion as at October 31, 2018, a $2.1 billion increase arising essentially from growth in personal deposits. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	**As at January 31, 2019**	As at October 31, 2018	As at January 31, 2018
Balance sheet			
Deposits	**57,726**	55,688	53,329
Off-balance-sheet			
Brokerage	**128,312**	123,458	125,834
Mutual funds	**32,255**	31,874	32,838
Other	**436**	440	469
	161,003	155,772	159,141
Total personal savings	**218,729**	211,460	212,470

As at January 31, 2019, personal deposits stood at $57.7 billion, rising $2.0 billion since October 31, 2018. Since January 31, 2018, personal deposits rose 8%, essentially due to the Bank's initiatives to increase this type of deposit as well as to growth at the ABA Bank subsidiary. As at January 31, 2019, total personal savings amounted to $218.7 billion, up from $211.5 billion as at October 31, 2018 and from $212.5 billion as at January 31, 2018. Overall, off-balance-sheet personal savings stood at $161.0 billion as at January 31, 2019, rising $1.9 billion or 1% from a year ago given net inflows in brokerage operations.

At $110.2 billion, business and government deposits decreased $0.1 billion since October 31, 2018. Other liabilities stood at $75.1 billion as at January 31, 2019, declining 2% since October 31, 2018 due to a $2.5 billion decrease in obligations related to securities sold short, partly offset by a $1.3 billion increase in obligations related to securities sold under repurchase agreements and securities loaned.

Equity

As at January 31, 2019, equity attributable to the Bank's shareholders was $14.1 billion, rising $0.1 billion from October 31, 2018. This increase came essentially from net income net of dividends, partly offset by a net change in gains (losses) on cash flow hedges and by remeasurements of pension plans and other post-employment benefit plans. The repurchases of common shares for cancellation were partly offset by issuances of common shares under the stock option plan and the impact of shares purchased or sold for trading.

Exposures to Certain Activities

The recommendations made by the Financial Stability Board's Enhanced Disclosure Task Force (EDTF) 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. Alt-A loans are granted to borrowers who cannot provide standard proof of income. The Bank's Alt-A loan volume was $421 million as at January 31, 2019 ($425 million as at October 31, 2018). The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the CMHC. Credit derivative positions are presented in the *Supplementary Regulatory Capital and Pillar 3 Disclosure* report, which is available on the Bank's website at nbc.ca.

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 January 31, 2019, total commitments for this type of loan stood at $3,052 million ($2,967 million as at October 31, 2018). Details about other exposures are provided in the table on structured entities in Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2018. For additional information, see Note 29 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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, 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 41 and 42 of the *2018 Annual Report*.

For additional information on guarantees, commitments and structured entities, see Notes 27 and 28 to the audited annual consolidated financial statements for the year ended October 31, 2018. For additional information about financial assets transferred but not derecognized, see Note 8 to these consolidated financial statements.

Contingent Liabilities

Litigation
In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other legal remedies of varied natures.

More specifically, the Bank is involved as a defendant in class actions instituted by consumers contesting, *inter alia*, certain transaction fees or who wish to avail themselves of certain legislative provisions relating to consumer protection. The recent developments in the main legal proceedings involving the Bank are as follows:

Watson
In 2011, a class action was filed in the Supreme Court of British Columbia against Visa Corporation Canada (Visa) and MasterCard International Incorporated (MasterCard) (the Networks) as well as National Bank and a number of other Canadian financial institutions. A similar action was also initiated in Quebec, Ontario, Alberta and Saskatchewan. In each of the actions, the Networks and financial institutions are alleged to have been involved in a price-fixing system to maintain and increase the fees paid by merchants on transactions executed using the credit cards of the Networks. In so doing, they would notably be in breach of the *Competition Act*. An unspecified amount of compensatory and punitive damages is being claimed. In 2017, a settlement was reached with the plaintiffs; in 2018 it was then approved by the trial courts in each of the five jurisdictions where the action was initiated. The rulings approving the settlement are now the subject of appeal proceedings in multiple jurisdictions.

Defrance
On January 21, 2019, the Quebec Superior Court authorized a class action against National Bank and several other Canadian financial institutions on behalf of consumers residing in Quebec. The plaintiffs allege that non-sufficient funds charges, billed by all of the defendants when a payment order is refused due to non-sufficient funds, are illegal and prohibited by the *Consumer Protection Act*. The plaintiffs are claiming, in the form of damages, the repayment of these charges as well as punitive damages.

It is impossible to determine the outcome of the claims instituted or which may be instituted against the Bank and its subsidiaries. The Bank estimates, based on the information at its disposal, that while the amount of contingent liabilities pertaining to these claims, taken individually or in the aggregate, could have a material impact on the Bank's consolidated operating income for a particular period, it would not have a material adverse impact on the Bank's consolidated financial position.

Capital Management

Capital management has a dual role of ensuring a competitive return to the Bank's shareholders while maintaining a solid capital foundation that covers risks inherent to the Bank's business, supports its business segments and protects its clients. The Bank's capital management policy defines guiding principles as well as the roles and responsibilities of its internal capital adequacy assessment process. This process aims to determine the capital that the Bank needs to pursue its business operations and to accommodate unexpected losses arising from extremely adverse economic and operational conditions. For additional information on the capital management framework, see the Capital Management section on pages 43 to 51 of the Bank's *2018 Annual Report*.

Basel Accord

The Bank and all other major Canadian banks 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 of these ratios are to include a capital conservation buffer of 2.5% (set by the Basel Committee on Banking Supervision and OSFI) and a 1% surcharge (set by OSFI) applicable to Domestic Systemically Important Banks (D-SIBs). The banks also have to meet the revised capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. In addition, during the year ended October 31, 2018, OSFI introduced a domestic stability buffer (the buffer) applicable to D-SIBs. The buffer level varies between 0% and 2.5% of risk-weighted assets and currently stands at 1.5%. A D-SIB that fails to meet the buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. OSFI has also been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

In addition to those measures, OSFI is 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 not for the absence of the NVCC clause are grandfathered and will be phased out over a period of ten years. The Bank expects to phase out all of its non-NVCC instruments without resorting to any regulatory event redemption.

Requirements – Regulatory ratios under Basel III

	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	**Minimum set by OSFI**[(1)]	Domestic stability buffer[(2)]	Minimum set by OSFI[(1)], including the buffer
Capital ratios							
CET1	4.5 %	2.5 %	7.0 %	1.0 %	**8.0 %**	1.5 %	9.5 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	**9.5 %**	1.5 %	11.0 %
Total	8.0 %	2.5 %	10.5 %	1.0 %	**11.5 %**	1.5 %	13.0 %
Leverage ratio	3.0 %	n.a.	n.a.	n.a.	**3.0 %**	n.a.	3.0 %

n.a. Not applicable
(1) The capital ratios include the capital conservation buffer and the D-SIB surcharge.
(2) On December 12, 2018, OSFI raised the buffer level such that it will be at 1.75% starting April 30, 2019.

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

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

Regulatory Developments

The Bank closely monitors regulatory developments and participates actively in the various consultative processes. For additional information on the regulatory context as at October 31, 2018, which is still the current context, see pages 46 and 47 of the Capital Management section in the *2018 Annual Report.* As had been planned, during the first quarter of 2019 the Bank applied several new regulatory requirements, in particular the SA-CCR (Standardized Approach for Measuring Counterparty Credit Risk) rules and the revised securitization framework.

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

If the Bank cannot use the SEC-IRBA, it must use the Securitization External Ratings-Based Approach (SEC-ERBA) for the securitization exposures that are externally rated. This approach assigns risk weights to exposures using external ratings. The Bank uses the ratings assigned by Moody's, Standard & Poor's (S&P), Fitch, DBRS or a combination of these ratings. The Bank also uses the Internal Assessment Approach (IAA) for unrated securitization exposures relating to the asset-backed commercial paper conduits it sponsors. If the Bank cannot apply the SEC-ERBA or the IAA, it must use the supervisory formula under the Securitization Standardized Approach (SEC-SA). Under this approach, RWA is derived from inputs specific to the securitization exposure such as the implicit capital charge related to the underlying exposures calculated under the standardized credit risk approach as well as credit enhancement and delinquency levels.

If none of the above approaches can be used, the securitization exposure must be assigned a risk weight of 1,250%. The Bank can apply a reduced capital charge for securitization exposures that meet the criteria of the Simple, Transparent and Comparable (STC) framework. To mitigate the impact of the revised securitization framework, OSFI has provided grandfathering of the current capital treatment for one year through a negative adjustment to RWA that eliminates the initial increase in risk weights. OSFI is also providing transitional arrangements for all securitization transactions completed by December 31, 2018 for a maximum of two years.

Since November 1, 2018, the below-described regulatory developments should also be considered.

On December 13, 2018, the BCBS issued a consultative document *Revisions to Leverage Ratio Disclosure Requirements,* which aims to address leverage ratio window-dressing concerns. The potential revised disclosure is to be applied by all internationally active banks and is to be implemented no later than January 2022.

On January 14, 2019, the BCBS published a revised version of *Minimum Capital Requirements for Market Risk*. This finalized standard incorporates changes that were proposed in the consultative document issued in March 2018. The proposed implementation date is January 1, 2022.

Management Activities

During the quarter ended January 31, 2019, the Bank repurchased 1,047,200 common shares for $60 million, which reduced *Common share* capital by $9 million and *Retained earnings* by $51 million. This repurchase was part of the normal course issuer bid to repurchase for cancellation program that the Bank launched on June 6, 2018.

Shares and Stock Options

	As at January 31, 2019	
	Number of shares	**$ million**
First preferred shares		
Series 30	**14,000,000**	**350**
Series 32	**12,000,000**	**300**
Series 34	**16,000,000**	**400**
Series 36	**16,000,000**	**400**
Series 38	**16,000,000**	**400**
Series 40	**12,000,000**	**300**
Series 42	**12,000,000**	**300**
	98,000,000	**2,450**
Common shares	**335,499,661**	**2,880**
Stock options	**14,384,526**	

As at February 22, 2019, there were 335,569,580 common shares and 14,334,267 stock options outstanding. NVCC provisions require the conversion of capital instruments into a variable number of common shares should OSFI deem a bank to be non-viable or should the government publicly announce that a bank has accepted or agreed to accept an injection of capital. If an NVCC trigger event were to occur, all of the Bank's preferred shares and medium-term notes maturing on February 1, 2028, which are NVCC capital instruments, would be converted into common shares of the Bank according to an automatic conversion formula at a conversion price corresponding to the greater of the following amounts: (i) a $5.00 contractual floor price; or (ii) the market price of the Bank's common shares on the date of the trigger event (10-day weighted average price). Based on a $5.00 floor price and including an estimate for accrued dividends and interest, these NVCC capital instruments would be converted into a maximum of 724,416,000 Bank common shares, which would have a 68.4% dilutive effect based on the number of Bank common shares outstanding as at January 31, 2019.

Movement in Regulatory Capital

(millions of Canadian dollars)	Quarter ended January 31, 2019
Common Equity Tier 1 (CET1) capital	
Balance at beginning	8,608
Issuance of common shares (including Stock Option Plan)	20
Impact of shares purchased or sold for trading	44
Repurchase of common shares	(60)
Other contributed surplus	(1)
Dividends on preferred and common shares	(247)
Net income attributable to the Bank's shareholders	536
Common share capital issued by subsidiaries and held by third parties	2
Removal of own credit spread (net of income taxes)	(55)
Impact of adopting IFRS 15 on November 1, 2018	(4)
Other	(11)
Movements in accumulated other comprehensive income	
Translation adjustments	(6)
Debt securities at fair value through other comprehensive income	(2)
Other	1
Change in goodwill and intangible assets (net of related tax liability)	(18)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	6
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments[1]	9
Balance at end	8,822
Additional Tier 1 capital	
Balance at beginning	2,802
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	–
Balance at end	2,802
Total Tier 1 capital	11,624
Tier 2 capital	
Balance at beginning	942
New Tier 2 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Tier 2 subject to phase-out	–
Tier 2 instruments issued by subsidiaries and held by third parties	–
Change in certain allowances for credit losses	9
Other, including regulatory adjustments and transitional arrangements	(28)
Balance at end	923
Total regulatory capital	12,547

(1) Represents the change in investments in the Bank's own CET1 capital.

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) amounted to $77.0 billion as at January 31, 2019 compared to $73.7 billion as at October 31, 2018, a $3.3 billion increase resulting mainly from organic growth in RWA and from a change in the method used to measure the counterparty credit risk (SA-CCR). The changes in the Bank's risk-weighted assets by risk type are presented in the following table.

Risk-Weighted Assets Movement by Key Drivers

(millions of Canadian dollars)			Quarter ended
			January 31, 2019
	Non-counterparty credit risk	Counterparty credit risk	Total
Credit risk – Risk-weighted assets at beginning	56,027	3,449	59,476
Book size	946	327	1,273
Book quality	(254)	56	(198)
Model updates	–	1,634	1,634
Methodology and policy	–	–	–
Acquisitions and disposals	–	–	–
Foreign exchange movements	(20)	(3)	(23)
Credit risk – Risk-weighted assets at end	56,699	5,463	62,162
Market risk – Risk-weighted assets at beginning			3,435
Movement in risk levels(1)			529
Model updates			–
Methodology and policy			–
Acquisitions and disposals			–
Market risk – Risk-weighted assets at end			3,964
Operational risk – Risk-weighted assets at beginning			10,743
Movement in risk levels			167
Acquisitions and disposals			–
Operational risk – Risk-weighted assets at end			10,910
Risk-weighted assets at end			77,036

(1) Also includes foreign exchange rate movements that are not considered material.

The table above provides the risk-weighted assets movements by key drivers underlying the different risk categories.

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

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

The *Model updates* item is used to reflect implementations of new models, changes in model scope, and any other change applied to address model malfunctions. During the quarter ended January 31, 2019, the Bank implemented the SA-CCR rules for measuring counterparty credit risk under the standardized approach, as required by the BCBS.

The *Methodology and policy* item presents the impact of changes in calculation methods stemming from changes in regulatory policies as a result, for example, of new regulations.

Regulatory Capital Ratios

As at January 31, 2019, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.5%, 15.1% and 16.3%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.7%, 15.5% and 16.8% as at October 31, 2018. The decrease in the CET1 capital ratio came essentially from the application of the SA-CCR rules for measuring counterparty credit risk. Net income net of dividends and common share issuances under the Stock Option Plan more than offset growth in risk-weighted assets, the common share repurchases during the quarter ended January 31, 2019, and remeasurements of pension plans and other post-employment benefit plans. The decreases in the Tier 1 capital ratio and the Total capital ratio were essentially due to the same factors. As at January 31, 2019, the leverage ratio was 4.1%, up from 4.0% as at October 31, 2018.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	As at January 31, 2019	As at October 31, 2018
Capital		
CET1	8,822	8,608
Tier 1	11,624	11,410
Total	12,547	12,352
Risk-weighted assets		
CET1 capital	77,036	73,654
Tier 1 capital	77,036	73,670
Total capital	77,036	73,685
Total exposure	286,655	284,337
Capital ratios		
CET1	11.5 %	11.7 %
Tier 1	15.1 %	15.5 %
Total	16.3 %	16.8 %
Leverage ratio	4.1 %	4.0 %

Dividends

On February 26, 2019, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 65 cents per common share, payable on May 1, 2019 to shareholders of record on March 25, 2019.

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 *2018 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 help 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 hereafter. For additional information, see the Risk Management section on pages 52 to 87 of the *2018 Annual Report*. Risk management information is also provided in Note 7 to the consolidated financial statements, which covers loans.

Credit Risk

Credit risk is the risk of incurring a financial loss if an obligor does not fully honour its contractual commitments to the Bank. Obligors may be borrowers, issuers, 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 January 31, 2019	As at October 31, 2018
	Drawn	Undrawn commitments	Repo-style transactions(1)	OTC derivatives	Other off-balance-sheet items(2)	Total	Total
Retail							
Residential mortgages	46,320	8,418	–	–	–	54,738	54,213
Qualifying revolving retail	2,617	3,122	–	–	–	5,739	6,276
Other retail	14,758	1,592	–	–	14	16,364	17,064
	63,695	13,132	–	–	14	76,841	77,553
Non-retail							
Corporate	51,847	18,342	14,370	7	4,469	89,035	88,527
Sovereign	27,177	5,439	37,831	241	156	70,844	73,915
Financial institutions	4,202	426	74,144	3,402	755	82,929	85,109
	83,226	24,207	126,345	3,650	5,380	242,808	247,551
Trading portfolio	–	–	–	9,343	–	9,343	9,620
Securitization	1,521	–	–	–	3,389	4,910	4,746
Total – Gross credit risk	148,442	37,339	126,345	12,993	8,783	333,902	339,470
Standardized Approach	13,613	69	17,612	3,639	353	35,286	32,303
AIRB Approach	134,829	37,270	108,733	9,354	8,430	298,616	307,167
Total – Gross credit risk	148,442	37,339	126,345	12,993	8,783	333,902	339,470

(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 – First Quarter 2019* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – First Quarter 2019,* which are available on the Bank's website at nbc.ca.

Market Risk

Market risk is the risk of losses in on- and off-balance-sheet positions arising from movements in market parameters. Managing this risk is a core competency for the Bank in its market making, trading, investing and asset/liability management activities.

The following tables provide a breakdown of the Bank's Consolidated Balance Sheet into financial assets and liabilities by those that carry market risk and those that do not carry market risk, distinguishing between trading positions whose main risk measures are Value-at-Risk (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 January 31, 2019
		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	12,353	475	11,371	507	Interest rate(3)
Securities					
At fair value through profit or loss	59,411	55,539	3,872	–	Interest rate(3) and equity
At fair value through other comprehensive income	6,575	–	6,575	–	Interest rate(3) and equity(4)
At amortized cost	8,727	–	8,727	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	15,162	–	15,162	–	Interest rate(3)(5)
Loans and acceptances, net of allowances	146,710	5,368	141,342	–	Interest rate(3)
Derivative financial instruments	7,157	6,477	680	–	Interest rate and exchange rate
Defined benefit asset	49	–	49	–	Other
Other	7,211	–	–	7,211	
	263,355	67,859	187,778	7,718	
Liabilities					
Deposits	172,930	8,363	164,567	–	Interest rate(3)
Acceptances	6,827	–	6,827	–	Interest rate(3)
Obligations related to securities sold short	15,306	15,306	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	21,311	–	21,311	–	Interest rate(3)(5)
Derivative financial instruments	6,251	5,539	712	–	Interest rate and exchange rate
Liabilities related to transferred receivables	19,298	3,713	15,585	–	Interest rate(3)
Defined benefit liability	249	–	249	–	Other
Other	5,904	21	910	4,973	Interest rate(3)
Subordinated debt	764	–	764	–	Interest rate(3)
	248,840	32,942	210,925	4,973	

(1) Trading positions whose risk measures are VaR and SVaR. For additional information, 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 *2018 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) For additional information, 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 *2018 Annual Report*.
(4) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 6 to the consolidated financial statements.
(5) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures when they relate to trading activities.

(millions of Canadian dollars) As at October 31, 2018

	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	12,756	226	12,269	261	Interest rate[3]
Securities					
At fair value through profit or loss	55,817	51,575	4,242	–	Interest rate[3] and equity[4]
At fair value through other comprehensive income	5,668	–	5,668	–	Interest rate[3] and equity[5]
Amortized cost	8,298	–	8,298	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	18,159	–	18,159	–	Interest rate[3][6]
Loans and acceptances, net of allowances	146,082	5,417	140,665	–	Interest rate[3]
Derivative financial instruments	8,608	7,625	983	–	Interest rate[7] and exchange rate[7]
Defined benefit asset	64	–	64	–	Other[8]
Other	7,019	–	–	7,019	
	262,471	64,843	190,348	7,280	
Liabilities					
Deposits	170,830	7,187	163,643	–	Interest rate[3]
Acceptances	6,801	–	6,801	–	Interest rate[3]
Obligations related to securities sold short	17,780	17,780	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	19,998	–	19,998	–	Interest rate[3][6]
Derivative financial instruments	6,036	4,807	1,229	–	Interest rate[7] and exchange rate[7]
Liabilities related to transferred receivables	20,100	3,733	16,367	–	Interest rate[3]
Defined benefit liability	186	–	186	–	Other[8]
Other	5,638	21	910	4,707	Interest rate[3]
Subordinated debt	747	–	747	–	Interest rate[3]
	248,116	33,528	209,881	4,707	

(1) Trading positions whose risk measures are VaR and SVaR. For additional information, 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 *2018 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) For additional information, 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 below and on the following page as well as in the Market Risk Management section of the *2018 Annual Report*.
(4) For additional information, see Note 7 to the audited annual consolidated financial statements for the fiscal year ended October 31, 2018.
(5) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 6 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) For additional information, see Notes 17 and 18 to the audited annual consolidated financial statements for the year ended October 31, 2018.
(8) For additional information, see Note 24 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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 on the next page 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

	January 31, 2019				October 31, 2018		January 31, 2018	
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end
Interest rate	**(4.7)**	**(7.1)**	**(5.7)**	**(5.4)**	(4.3)	(5.9)	(3.8)	(3.5)
Exchange rate	**(0.5)**	**(1.8)**	**(0.9)**	**(0.9)**	(1.4)	(1.4)	(0.8)	(1.2)
Equity	**(3.3)**	**(6.0)**	**(4.5)**	**(3.6)**	(4.3)	(4.7)	(2.4)	(1.9)
Commodity	**(0.9)**	**(1.5)**	**(1.2)**	**(1.3)**	(1.0)	(0.9)	(0.7)	(0.6)
Correlation effect[2]	**n.m.**	**n.m.**	**5.9**	**5.8**	5.0	7.0	3.8	3.8
Total trading VaR	**(5.1)**	**(8.9)**	**(6.4)**	**(5.4)**	(6.0)	(5.9)	(3.9)	(3.4)

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 less than the sum of the individual risk factor VaR results due to the correlation effect.

SVaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars)								Quarter ended
				January 31, 2019	October 31, 2018		January 31, 2018	
	Low	High	Average	Period end	Average	Period end	Average	Period end
Interest rate	**(11.8)**	**(19.3)**	**(14.4)**	**(14.2)**	(12.2)	(13.6)	(10.6)	(9.1)
Exchange rate	**(0.7)**	**(3.1)**	**(1.5)**	**(1.2)**	(2.3)	(2.4)	(0.9)	(1.5)
Equity	**(4.5)**	**(14.4)**	**(8.3)**	**(7.0)**	(4.8)	(9.3)	(2.3)	(1.9)
Commodity	**(1.4)**	**(3.6)**	**(2.3)**	**(1.5)**	(2.0)	(2.2)	(0.8)	(0.9)
Correlation effect[2]	**n.m.**	**n.m.**	**14.6**	**11.2**	12.4	17.7	7.6	7.4
Total trading SVaR	**(9.4)**	**(16.3)**	**(11.9)**	**(12.7)**	(8.9)	(9.8)	(7.0)	(6.0)

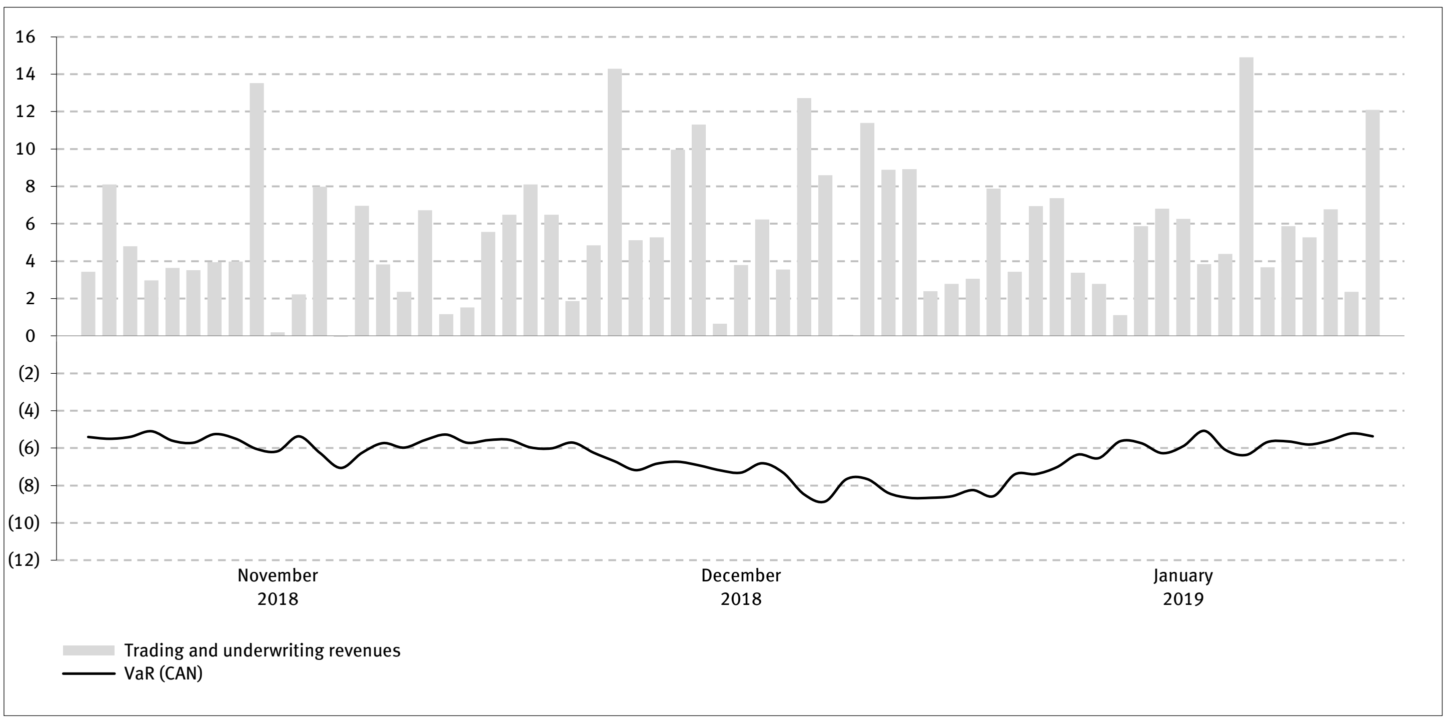
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR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

The Bank's average trading VaR was up, rising from $6.0 million in the quarter ended October 31, 2018 to $6.4 million in the quarter ended January 31, 2019. In addition, average trading SVaR rose from $8.9 million to $11.9 million during the first quarter of 2019. These increases were primarily attributable to higher interest rate risk and equity risk.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. Daily trading and underwriting revenues were positive 98% of the days for the quarter ended January 31, 2019. One trading day was marked by a daily trading and underwriting net loss less than $1 million, and this loss did not exceed the VaR.

Quarter ended January 31, 2019
(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 the economic value of equity and on net interest income for the next 12 months in the Bank's non-trading portfolios, assuming no further hedging is undertaken.

(millions of Canadian dollars)			**As at January 31, 2019**			
			Impact on equity			**Impact on net interest income**
	Canadian dollar	**Other currencies**	**Total**	**Canadian dollar**	**Other currencies**	**Total**
100-basis-point increase in the interest rate	**(120)**	**13**	**(107)**	**39**	**24**	**63**
100-basis-point decrease in the interest rate	**146**	**(13)**	**133**	**13**	**(22)**	**(9)**

(millions of Canadian dollars)			As at October 31, 2018			
			Impact on equity			Impact on net interest income
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
100-basis-point increase in the interest rate	(140)	9	(131)	10	19	29
100-basis-point decrease in the interest rate	154	17	171	34	8	42

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 credit commitments and non-fixed-term deposits.

Regulatory Developments

The Bank closely monitors regulatory developments and participates actively in the various consultative processes. For additional information on the regulatory context as at October 31, 2018, which is still the current context, see page 75 of the Risk Management section in the *2018 Annual Report.* Since November 1, 2018, the below-described regulatory development should also be considered.

On December 19, 2018, OSFI published a draft version of the *Liquidity Adequacy Requirements Guideline* that includes certain changes involving the Net Stable Funding Ratio (NSFR). The updated guideline requires institutions to maintain a stable funding profile relative to the composition of their off-balance-sheet assets and activities. A viable funding structure should reduce the likelihood that disruptions to a bank's regular funding sources would erode its liquidity position and thereby increase its risk of failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance-sheet items, and favours funding stability. All questions and comments received by OSFI no later than February 1, 2019 will be taken into consideration. OSFI plans on making the NSFR standard applicable to D-SIBs as of January 1, 2020.

Liquid Assets

To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. 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's liquidity reserves do not factor in the availability of central bank emergency liquidity facilities. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio

(millions of Canadian dollars)					As at January 31, 2019	As at October 31, 2018
	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	**12,353**	**–**	**12,353**	**2,755**	**9,598**	10,287
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	**26,756**	**21,718**	**48,474**	**26,046**	**22,428**	20,825
Issued or guaranteed by Canadian provincial and municipal governments	**11,174**	**9,441**	**20,615**	**16,984**	**3,631**	6,540
Other debt securities	**5,576**	**2,889**	**8,465**	**2,913**	**5,552**	5,398
Equity securities	**31,207**	**23,414**	**54,621**	**35,305**	**19,316**	16,611
Loans						
Securities backed by insured residential mortgages	**7,872**	**–**	**7,872**	**4,424**	**3,448**	3,286
As at January 31, 2019	**94,938**	**57,462**	**152,400**	**88,427**	**63,973**	
As at October 31, 2018	91,640	57,483	149,123	86,176		62,947

(millions of Canadian dollars)	As at January 31, 2019	As at October 31, 2018
Unencumbered liquid assets by entity		
National Bank (parent)	**25,208**	30,205
Domestic subsidiaries	**13,606**	11,543
Foreign subsidiaries and branches	**25,159**	21,199
	63,973	62,947

(millions of Canadian dollars)	As at January 31, 2019	As at October 31, 2018
Unencumbered liquid assets by currency		
Canadian dollar	**32,805**	35,838
U.S. dollar	**22,150**	22,663
Other currencies	**9,018**	4,446
	63,973	62,947

Liquid Asset Portfolio – Average[4]

(millions of Canadian dollars)					Quarter ended January 31, 2019
	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	**12,141**	**–**	**12,141**	**3,194**	**8,947**
Securities					
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	**26,595**	**26,883**	**53,478**	**29,606**	**23,872**
Issued or guaranteed by Canadian provincial and municipal governments	**11,639**	**9,042**	**20,681**	**16,902**	**3,779**
Other debt securities	**5,676**	**2,840**	**8,516**	**2,926**	**5,590**
Equity securities	**33,259**	**26,653**	**59,912**	**39,897**	**20,015**
Loans					
Securities backed by insured residential mortgages	**8,157**	**–**	**8,157**	**4,465**	**3,692**
	97,467	**65,418**	**162,885**	**96,990**	**65,895**

(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 liquid assets legally restricted from transfers.
(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 January 31, 2019
		Encumbered assets[1]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	98	2,657	9,598	–	12,353	1.0
Securities	23,786	–	50,927	–	74,713	9.0
Securities purchased under reverse repurchase agreements and securities borrowed	–	15,162	–	–	15,162	5.8
Loans and acceptances, net of allowances	28,848	–	3,448	114,414	146,710	11.0
Derivative financial instruments	–	–	–	7,157	7,157	–
Investments in associates and joint ventures	–	–	–	649	649	–
Premises and equipment	–	–	–	606	606	–
Goodwill	–	–	–	1,412	1,412	–
Intangible assets	–	–	–	1,332	1,332	–
Other assets	–	–	–	3,261	3,261	–
	52,732	17,819	63,973	128,831	263,355	26.8

(millions of Canadian dollars)						As at October 31, 2018
		Encumbered assets[1]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	87	2,382	10,287	–	12,756	0.9
Securities	20,787	–	48,996	–	69,783	7.9
Securities purchased under reverse repurchase agreements and securities borrowed	–	17,781	378	–	18,159	6.8
Loans and acceptances, net of allowances	28,670	–	3,286	114,126	146,082	10.9
Derivative financial instruments	–	–	–	8,608	8,608	–
Investments in associates and joint ventures	–	–	–	645	645	–
Premises and equipment	–	–	–	601	601	–
Goodwill	–	–	–	1,412	1,412	–
Intangible assets	–	–	–	1,314	1,314	–
Other assets	–	–	–	3,111	3,111	–
	49,544	20,163	62,947	129,817	262,471	26.5

(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 the covered bond program.
(2) Other encumbered assets include assets for which there are restrictions and that cannot therefore be used for collateral or funding purposes as well as assets used to cover short sales.
(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, mortgages insured by the Canada Mortgage and Housing Corporation that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

Liquidity Coverage Ratio (LCR)
The LCR was introduced primarily to ensure banks maintain sufficient liquidity to withstand periods of severe short-term stress. OSFI has been requiring Canadian banks to maintain a minimum LCR of 100%. An LCR above 100% ensures that banks are holding sufficient high-quality liquid assets (HQLA) to cover net cash outflows given a severe, 30-day liquidity crisis. The assumptions underlying the LCR scenario were established by the BCBS and OSFI.

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended January 31, 2019, the Bank's average LCR was 139%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements[1]

(millions of Canadian dollars) For the quarter ended

		January 31, 2019		October 31, 2018
		Total unweighted value[2] (average)	Total weighted value[3] (average)	Total weighted value[3] (average)
High-quality liquid assets (HQLA)				
1	Total HQLA	n.a.	48,894	44,699
Cash outflows				
2	Retail deposits and deposits from small business customers, of which:	42,043	2,863	2,784
3	Stable deposits	19,149	574	575
4	Less stable deposits	22,894	2,289	2,209
5	Unsecured wholesale funding, of which:	64,150	34,163	32,021
6	Operational deposits (all counterparties)	11,842	2,836	2,908
7	Non-operational deposits (all counterparties)	45,130	24,149	22,255
8	Unsecured debt	7,178	7,178	6,858
9	Secured wholesale funding	n.a.	16,648	17,048
10	Additional requirements, of which:	34,060	9,597	9,169
11	Outflows related to derivative exposures and other collateral requirements	7,524	4,118	4,273
12	Outflows related to loss of funding on secured debt securities	1,502	1,502	1,169
13	Backstop liquidity and credit enhancement facilities and commitments to extend credit	25,034	3,977	3,727
14	Other contractual commitments to extend credit	1,747	725	534
15	Other contingent commitments to extend credit	92,083	1,408	1,325
16	Total cash outflows	n.a.	65,404	62,881
Cash inflows				
17	Secured lending (e.g., reverse repos)	92,077	16,383	19,175
18	Inflows from fully performing exposures	8,429	5,030	5,040
19	Other cash inflows	8,691	8,691	8,286
20	Total cash inflows	109,197	30,104	32,501
			Total adjusted value[4]	Total adjusted value[4]
21	Total HQLA	n.a.	48,894	44,699
22	Total net cash outflows	n.a.	35,300	30,380
23	Liquidity coverage ratio (%)[5]	n.a.	139 %	147 %

n.a. Not applicable
(1) OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
(2) Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
(3) Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates.
(4) Total adjusted values are calculated after the application of both haircuts and inflow and outflow rates and any applicable caps.
(5) The data in this table has been calculated using averages of the daily figures in the quarter.

Level 1 liquid assets represent 86% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian government and Canadian provincial governments.

Cash outflows arise from the application of OSFI-prescribed assumptions on deposits, debt, secured funding, commitments and additional collateral requirements. The cash outflows are partly offset by cash inflows, which come mainly from secured loans and performing loans. The Bank expects some quarter-over-quarter variation between reported LCRs, and such variation may not be indicative of a trend. The variation between the quarter ended January 31, 2019 and the preceding quarter was a result of normal business activities. The Bank's liquid asset buffer is well in excess of its total net cash outflows.

The LCR assumptions differ from the assumptions used for the liquidity disclosures provided in the tables on the preceding pages or those used 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.

Funding Risk

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

The Bank's balance sheet is well diversified and is supported by a funding strategy. The Bank continuously monitors and analyzes the possibilities for accessing less expensive funding. The Bank is aiming to fund its core banking activities through personal, commercial and government deposits and through securitization programs. In addition to core deposits, the Bank also receives non-marketable deposits from governments and large corporations. 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.

Residual Contractual Maturities of Wholesale Funding(1)

(millions of Canadian dollars)								As at January 31, 2019
	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)	808	33	7	–	848	–	73	921
Certificates of deposit and commercial paper(3)	1,628	3,060	3,290	345	8,323	131	–	8,454
Senior unsecured medium-term notes(4)	–	190	1,542	1,412	3,144	6,020	3,007	12,171
Senior unsecured structured notes	–	–	131	883	1,014	260	3,886	5,160
Covered bonds and asset-backed securities								
Mortgage securitization	–	224	941	1,525	2,690	3,356	13,252	19,298
Covered bonds	–	–	–	–	–	355	7,976	8,331
Securitization of credit card receivables	–	–	–	–	–	873	37	910
Subordinated liabilities(5)	–	–	–	–	–	–	764	764
	2,436	3,507	5,911	4,165	16,019	10,995	28,995	56,009
Secured funding	–	224	941	1,525	2,690	4,584	21,265	28,539
Unsecured funding	2,436	3,283	4,970	2,640	13,329	6,411	7,730	27,470
	2,436	3,507	5,911	4,165	16,019	10,995	28,995	56,009
As at October 31, 2018	1,944	7,261	4,339	5,143	18,687	9,856	28,950	57,493

(1) Bankers' acceptances are not included in this table.
(2) Deposits from banks include all non-negotiable term deposits from banks.
(3) Includes bearer deposit notes.
(4) Certificates of deposit denominated in euros are included in senior unsecured medium-term notes.
(5) 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 approach 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-notch or three-notch credit rating downgrade.

(millions of Canadian dollars)		As at January 31, 2019
	One-notch downgrade	Three-notch downgrade
Derivatives(1)	26	40

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

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

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at January 31, 2019 with comparative figures as at October 31, 2018. 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 or 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 financing 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 future minimum commitments under leases for premises as well as for other contracts, mainly contracts for outsourced information technology services. Most of the lease commitments are related to operating leases.

(millions of Canadian dollars)										As at January 31, 2019
	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	8,301	1,401	4	–	–	–	–	–	2,647	12,353
Securities										
At fair value through profit or loss	731	3,436	1,109	1,153	1,210	5,742	9,604	5,590	30,836	59,411
At fair value through other comprehensive income	7	18	40	68	193	958	2,452	2,602	237	6,575
At amortized cost	–	101	10	748	83	1,073	6,048	664	–	8,727
	738	3,555	1,159	1,969	1,486	7,773	18,104	8,856	31,073	74,713
Securities purchased under reverse repurchase agreements and securities borrowed	4,963	1,571	1,843	848	–	2,063	–	–	3,874	15,162
Loans[(1)]										
Residential mortgage	526	951	2,570	2,014	2,176	10,288	32,630	2,244	732	54,131
Personal	180	422	893	855	763	3,791	10,672	3,177	15,945	36,698
Credit card									2,249	2,249
Business and government	7,948	2,433	2,574	3,391	2,313	4,380	13,568	2,424	8,438	47,469
Customers' liability under acceptances	5,619	1,163	45	–	–	–	–	–	–	6,827
Allowances for credit losses									(664)	(664)
	14,273	4,969	6,082	6,260	5,252	18,459	56,870	7,845	26,700	146,710
Other										
Derivative financial instruments	390	500	315	238	381	677	2,155	2,501	–	7,157
Investments in associates and joint ventures									649	649
Premises and equipment									606	606
Goodwill									1,412	1,412
Intangible assets									1,332	1,332
Other assets[(1)]	384	74	77	58	191	69	103	26	2,279	3,261
	774	574	392	296	572	746	2,258	2,527	6,278	14,417
	29,049	12,070	9,480	9,373	7,310	29,041	77,232	19,228	70,572	263,355

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

(millions of Canadian dollars)										As at January 31, 2019
	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	2,045	2,325	2,185	2,773	2,387	6,462	8,052	2,365	29,132	57,726
Business and government	15,981	6,407	6,121	2,018	2,466	7,891	10,657	5,786	52,837	110,164
Deposit-taking institutions	1,195	427	161	368	–	–	–	49	2,840	5,040
	19,221	9,159	8,467	5,159	4,853	14,353	18,709	8,200	84,809	172,930
Other										
Acceptances	5,619	1,163	45	–	–	–	–	–	–	6,827
Obligations related to securities sold short(3)	543	1,054	113	37	66	908	4,572	4,412	3,601	15,306
Obligations related to securities sold under repurchase agreements and securities loaned	6,814	2,073	3,330	2,800	–	–	–	–	6,294	21,311
Derivative financial instruments	667	841	320	225	391	853	1,438	1,516	–	6,251
Liabilities related to transferred receivables(4)	–	224	941	535	990	3,356	9,924	3,328	–	19,298
Securitization – Credit card(5)	–	–	–	–	–	873	37	–	–	910
Other liabilities – Other items(1)(5)	679	18	43	13	110	43	56	239	4,042	5,243
	14,322	5,373	4,792	3,610	1,557	6,033	16,027	9,495	13,937	75,146
Subordinated debt	–	–	–	–	–	–	–	764	–	764
Equity									14,515	14,515
	33,543	14,532	13,259	8,769	6,410	20,386	34,736	18,459	113,261	263,355
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	126	443	1,203	671	2,202	849	14	–	–	5,508
Credit card receivables(6)									7,988	7,988
Backstop liquidity and credit enhancement facilities(7)	–	–	15	–	15	2,431	–	–	2,460	4,921
Commitments to extend credit(8)	1,597	3,260	5,379	4,349	5,439	3,566	7,927	199	29,329	61,045
Lease commitments and other contracts	31	38	56	54	69	242	462	383	–	1,335

(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 are 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 $2.3 billion.
(8) These amounts include $43.9 billion that is unconditionally revocable at the Bank's discretion at any time.

(millions of Canadian dollars)										As at October 31, 2018
	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	9,544	790	41	1	19	10	–	–	2,351	12,756
Securities										
At fair value through profit or loss	1,982	1,713	1,043	1,430	1,457	5,638	10,527	5,444	26,583	55,817
At fair value through other comprehensive income	3	183	7	66	68	714	1,892	2,502	233	5,668
At amortized cost	–	10	9	–	730	814	6,162	573	–	8,298
	1,985	1,906	1,059	1,496	2,255	7,166	18,581	8,519	26,816	69,783
Securities purchased under reverse repurchase agreements and securities borrowed	7,759	1,242	2,154	271	790	2,151	–	–	3,792	18,159
Loans(1)										
Residential mortgage	724	950	1,583	2,653	2,105	10,124	32,675	2,085	752	53,651
Personal	365	395	622	1,070	762	3,914	10,509	3,116	16,604	37,357
Credit card									2,325	2,325
Business and government	7,557	2,454	2,246	3,672	2,206	4,244	12,838	2,402	8,987	46,606
Customers' liability under acceptances	6,019	670	112	–	–	–	–	–	–	6,801
Allowances for credit losses									(658)	(658)
	14,665	4,469	4,563	7,395	5,073	18,282	56,022	7,603	28,010	146,082
Other										
Derivative financial instruments	642	884	718	375	287	951	2,005	2,746	–	8,608
Investments in associates and joint ventures									645	645
Premises and equipment									601	601
Goodwill									1,412	1,412
Intangible assets									1,314	1,314
Other assets(1)	574	108	66	61	131	119	31	54	1,967	3,111
	1,216	992	784	436	418	1,070	2,036	2,800	5,939	15,691
	35,169	9,399	8,601	9,599	8,555	28,679	76,639	18,922	66,908	262,471

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

(millions of Canadian dollars)										As at October 31, 2018
	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	1,630	2,324	2,631	2,033	2,785	5,156	8,994	2,327	27,808	55,688
Business and government	12,082	9,725	5,587	2,953	1,988	7,017	11,050	5,025	54,894	110,321
Deposit-taking institutions	949	541	200	15	263	–	–	50	2,803	4,821
	14,661	12,590	8,418	5,001	5,036	12,173	20,044	7,402	85,505	170,830
Other										
Acceptances	6,019	670	112	–	–	–	–	–	–	6,801
Obligations related to securities sold short[3]	1,061	362	201	33	311	1,753	3,729	5,946	4,384	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	6,912	1,981	3,826	1,607	–	–	–	–	5,672	19,998
Derivative financial instruments	427	668	288	245	181	856	1,485	1,886	–	6,036
Liabilities related to transferred receivables[4]	–	2,244	226	867	537	3,088	10,072	3,066	–	20,100
Securitization – Credit card[5]	36	–	–	–	–	874	–	–	–	910
Other liabilities – Other items[1][5]	548	241	56	20	59	66	63	207	3,654	4,914
	15,003	6,166	4,709	2,772	1,088	6,637	15,349	11,105	13,710	76,539
Subordinated debt	–	–	–	–	–	–	–	747	–	747
Equity									14,355	14,355
	29,664	18,756	13,127	7,773	6,124	18,810	35,393	19,254	113,570	262,471
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	78	1,269	540	1,296	688	566	58	–	–	4,495
Credit card receivables[6]									7,874	7,874
Backstop liquidity and credit enhancement facilities[7]	–	15	2,298	15	–	–	–	–	2,550	4,878
Commitments to extend credit[8]	2,394	4,161	3,886	4,988	4,737	3,839	6,777	304	26,708	57,794
Lease commitments and other contracts	31	38	58	55	71	247	470	412	–	1,382

(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 are 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 $2.3 billion.
(8) These amounts include $42.9 billion that is unconditionally revocable at the Bank's discretion at any time.

Risk Disclosures

One of the purposes of the *2018 Annual Report,* the *Report to Shareholders – First Quarter 2019,* and the related supplementary information documents is to provide transparent, high-quality risk disclosures in accordance with the recommendations made by the Financial Stability Board's EDTF group. The following table lists the references where users can find information that responds to the EDTF's 32 recommendations.

				Pages
		2018 Annual Report	Report to Shareholders[1]	Supplementary Regulatory Capital and Pillar 3 Disclosure[1]
General				
1	Location of risk disclosures	8	34	
	Management's Discussion and Analysis	43 to 87, 98, 101 and 102	16 to 33	
	Consolidated Financial Statements	Notes 1, 8, 17, 24 and 30	Notes 7 and 14	
	Supplementary Regulatory Capital Disclosure			5 to 43
2	Risk terminology and risk measures	52 to 87		
3	Top and emerging risks	52 and 53		
4	New key regulatory ratios	44 to 47, 74, 75 and 80	16, 17, 25, 28 and 64	
Risk governance and risk management				
5	Risk management organization, processes and key functions	56 to 69, 75 to 77		
6	Risk management culture	56 and 57		
7	Key risks by business segment, risk management and risk appetite	51, 56 and 57		
8	Stress testing	43, 57, 64 and 73 to 77		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	44 to 47	16 and 17	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 12, 15 and 16
11	Movements in regulatory capital	49	18	
12	Capital planning	43 to 51		
13	RWA by business segment and by risk type	51		6
14	Capital requirements by risk and RWA calculation method	61 to 64		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	50	19	6
17	Assessment of credit risk model performance	60, 63, 64 and 71		
Liquidity				
18	Liquidity management and components of the liquidity buffer	75 to 81	25 to 29	
Funding				
19	Summary of encumbered and unencumbered assets	78 and 79	27	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	202 to 206	30 to 33	
21	Funding strategy and funding sources	81 to 83	29	
Market risk				
22	Linkage of market risk measures to balance sheet	69 and 70	22 and 23	
23	Market risk factors	68, 71 to 74, 190 to 192	23 to 25	
24	VaR: Assumptions, limitations and validation procedures	71 to 73		
25	Stress tests, stressed VaR and backtesting	71 to 74		
Credit risk				
26	Credit risk exposures	67 and 152 to 163	21 and 52 to 60	17 to 30 and 33 to 35 and 18 to 25[2]
27	Policies for identifying impaired loans	65 and 120 to 123		
28	Movements in impaired loans and allowances for credit losses	98, 101, 102 and 152 to 163	52 to 60	24 and 25[2]
29	Counterparty credit risk relating to derivatives transactions	65, 66 and 171 to 174		31 to 39
30	Credit risk mitigation	64 to 66 and 149		19, 23, 37, 38 and 40 to 43
Other risks				
31	Other risks: Governance, measurement and management	54, 55 and 84 to 87		
32	Publicly known risk events	84	No risk event	

(1) First quarter 2019.
(2) These pages are included in the document entitled *Supplementary Financial Information – First Quarter 2019.*

Accounting Policies and Financial Disclosure

Accounting Policies and Critical Accounting Estimates

The Bank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). None of the OSFI accounting requirements are exceptions to IFRS. The unaudited interim condensed consolidated financial statements for the quarter ended January 31, 2019 were prepared in accordance with IAS 34 - *Interim Financial Reporting* and using the same accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018, except for the changes described in Note 2 to the interim condensed consolidated financial statements, which have been applied since November 1, 2018 following the Bank's adoption of IFRS 15 – *Revenue From Contracts With Customers.*

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment and make estimates and assumptions that affect the reporting date carrying amounts of assets and liabilities, net income and related information. Some of the accounting policies are considered critical given their importance to the presentation of the Bank's financial position and operating results and require subjective and complex judgments and estimates on matters that are inherently uncertain. Any change in these judgments and estimates could have a significant impact on the Bank's consolidated financial statements. The critical accounting estimates are the same as those described on pages 88 to 92 of the *2018 Annual Report*.

Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact its consolidated financial statements. Aside from the adoption of IFRS 15 on November 1, 2018, there have been no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Financial Disclosure

During the first quarter of 2019, 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 internal control over financial reporting.

Quarterly Financial Information

(millions of Canadian dollars, except per share amounts)	2019				2018			2017	2018	2017
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Total	Total
Total revenues	**1,799**	1,814	1,792	1,754	1,806	1,704	1,675	1,597	7,166	6,609
Net income	**552**	566	569	547	550	525	518	484	2,232	2,024
Earnings per share ($)										
Basic	**1.51**	1.53	1.54	1.46	1.48	1.40	1.39	1.30	6.01	5.44
Diluted	**1.50**	1.52	1.52	1.44	1.46	1.39	1.37	1.28	5.94	5.38
Dividends per common share ($)	**0.65**	0.62	0.62	0.60	0.60	0.58	0.58	0.56	2.44	2.28
Return on common shareholders' equity (%)	**17.2**	17.8	18.4	18.6	18.7	17.8	18.2	17.9	18.4	18.1
Total assets	**263,355**	262,471	257,637	256,259	251,065	245,827	240,072	239,020		
Net impaired loans[(1)] under IFRS 9	**373**	404	413	382	371					
Net impaired loans under IAS 39						206	240	213		
Per common share ($)										
Book value	**34.85**	34.40	33.91	32.64	31.75	31.51	30.84	29.97		
Share price										
High	**61.80**	65.63	64.29	64.08	65.35	62.74	56.44	58.75		
Low	**54.97**	58.93	61.26	58.69	62.33	55.29	51.77	52.94		

(1) Given the adoption of IFRS 9, all loans classified in Stage 3 of the expected credit loss model are impaired loans and do not include POCI loans. Under IAS 39, loans were considered impaired according to different criteria. Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

Interim Condensed Consolidated Financial Statements

(unaudited)

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at January 31, 2019	As at October 31,2018
Assets		
Cash and deposits with financial institutions	12,353	12,756
Securities (Notes 4, 5 and 6)		
At fair value through profit or loss	59,411	55,817
At fair value through other comprehensive income	6,575	5,668
At amortized cost	8,727	8,298
	74,713	69,783
Securities purchased under reverse repurchase agreements and securities borrowed	15,162	18,159
Loans (Note 7)		
Residential mortgage	54,131	53,651
Personal	36,698	37,357
Credit card	2,249	2,325
Business and government	47,469	46,606
	140,547	139,939
Customers' liability under acceptances	6,827	6,801
Allowances for credit losses	(664)	(658)
	146,710	146,082
Other		
Derivative financial instruments	7,157	8,608
Investments in associates and joint ventures	649	645
Premises and equipment	606	601
Goodwill	1,412	1,412
Intangible assets	1,332	1,314
Other assets (Note 9)	3,261	3,111
	14,417	15,691
	263,355	262,471
Liabilities and equity		
Deposits (Notes 5 and 10)	172,930	170,830
Other		
Acceptances	6,827	6,801
Obligations related to securities sold short	15,306	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	21,311	19,998
Derivative financial instruments	6,251	6,036
Liabilities related to transferred receivables (Notes 5 and 8)	19,298	20,100
Other liabilities (Note 11)	6,153	5,824
	75,146	76,539
Subordinated debt	764	747
Equity		
Equity attributable to the Bank's shareholders (Notes 12 and 15)		
Preferred shares	2,450	2,450
Common shares	2,880	2,822
Contributed surplus	53	57
Retained earnings	8,695	8,472
Accumulated other comprehensive income	65	175
	14,143	13,976
Non-controlling interests (Note 13)	372	379
	14,515	14,355
	263,355	262,471

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 January 31	
	2019	2018
Interest income		
Loans	**1,604**	1,324
Securities at fair value through profit or loss	**232**	157
Securities at fair value through other comprehensive income	**37**	35
Securities at amortized cost	**53**	36
Deposits with financial institutions	**70**	46
	1,996	1,598
Interest expense		
Deposits	**840**	549
Liabilities related to transferred receivables	**106**	99
Subordinated debt	**6**	–
Other	**181**	116
	1,133	764
Net interest income[1]	**863**	834
Non-interest income		
Underwriting and advisory fees	**61**	103
Securities brokerage commissions	**44**	54
Mutual fund revenues	**106**	111
Trust service revenues	**147**	145
Credit fees	**102**	97
Card revenues	**41**	40
Deposit and payment service charges	**68**	68
Trading revenues (losses)	**228**	228
Gains (losses) on non-trading securities, net	**32**	28
Insurance revenues, net	**34**	31
Foreign exchange revenues, other than trading	**24**	22
Share in the net income of associates and joint ventures	**8**	7
Other	**41**	38
	936	972
Total revenues	**1,799**	1,806
Provisions for credit losses (Note 7)	**88**	87
	1,711	1,719
Non-interest expenses		
Compensation and employee benefits	**616**	631
Occupancy	**62**	58
Technology	**161**	161
Communications	**16**	16
Professional fees	**62**	60
Other	**109**	98
	1,026	1,024
Income before income taxes	**685**	695
Income taxes	**133**	145
Net income	**552**	550
Net income attributable to		
Preferred shareholders	**29**	22
Common shareholders	**507**	505
Bank shareholders	**536**	527
Non-controlling interests	**16**	23
	552	550
Earnings per share *(dollars)* (Note 17)		
Basic	**1.51**	1.48
Diluted	**1.50**	1.46
Dividends per common share *(dollars)*	**0.65**	0.60

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

(1) *Net interest income* includes dividend income. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2019	2018
Net income	**552**	550
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	**(8)**	(81)
Impact of hedging net foreign currency translation gains (losses)	**1**	20
	(7)	(61)
Net change in debt securities at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**8**	4
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(10)**	1
	(2)	5
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(94)**	11
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(9)**	(10)
	(103)	1
Share in the other comprehensive income of associates and joint ventures	**1**	2
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**(52)**	36
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(6)**	3
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**53**	(26)
	(5)	13
Total other comprehensive income, net of income taxes	**(116)**	(40)
Comprehensive income	**436**	510
Comprehensive income attributable to		
Bank shareholders	**421**	492
Non-controlling interests	**15**	18
	436	510

Income Taxes – Other Comprehensive Income

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

	Quarter ended January 31	
	2019	2018
Net foreign currency translation adjustments		
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**3**	–
Impact of hedging net foreign currency translation gains (losses)	**–**	6
	3	6
Net change in debt securities at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**3**	2
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(4)**	1
	(1)	3
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(34)**	4
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(3)
	(37)	1
Share in the other comprehensive income of associates and joint ventures	**–**	–
Remeasurements of pension plans and other post-employment benefit plans	**(19)**	13
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(2)**	1
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**19**	(10)
	(37)	14

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)

	Quarter ended January 31	
	2019	2018
Preferred shares at beginning (Note 12)	**2,450**	2,050
Issuances of Series 40 preferred shares	**–**	300
Redemption of Series 28 preferred shares for cancellation	**–**	(200)
Preferred shares at end	**2,450**	2,150
Common shares at beginning (Note 12)	**2,822**	2,768
Issuances of common shares pursuant to the Stock Option Plan	**23**	71
Repurchases of common shares for cancellation	**(9)**	(13)
Impact of shares purchased or sold for trading	**44**	35
Common shares at end	**2,880**	2,861
Contributed surplus at beginning	**57**	58
Stock option expense (Note 15)	**3**	3
Stock options exercised	**(3)**	(9)
Other	**(4)**	–
Contributed surplus at end	**53**	52
Retained earnings at beginning	**8,472**	7,706
Impact of adopting IFRS 15 on November 1, 2018 (IFRS 9 on November 1, 2017)	**(4)**	(139)
Net income attributable to the Bank's shareholders	**536**	527
Dividends on preferred shares (Note 12)	**(29)**	(22)
Dividends on common shares (Note 12)	**(218)**	(205)
Premium paid on common shares repurchased for cancellation (Note 12)	**(51)**	(78)
Share issuance expenses, net of income taxes	**–**	(5)
Remeasurements of pension plans and other post-employment benefit plans	**(52)**	36
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(6)**	3
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**53**	(26)
Impact of a financial liability resulting from put options written to non-controlling interests	**(4)**	–
Other	**(2)**	(12)
Retained earnings at end	**8,695**	7,785
Accumulated other comprehensive income at beginning	**175**	168
Impact of adopting IFRS 9 on November 1, 2017	**–**	(10)
Net foreign currency translation adjustments	**(6)**	(61)
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	**(2)**	5
Net change in gains (losses) on cash flow hedges	**(103)**	6
Share in the other comprehensive income of associates and joint ventures	**1**	2
Accumulated other comprehensive income at end	**65**	110
Equity attributable to the Bank's shareholders	**14,143**	12,958
Non-controlling interests at beginning (Note 13)	**379**	808
Impact of adopting IFRS 9 on November 1, 2017	**–**	(16)
Net income attributable to non-controlling interests	**16**	23
Other comprehensive income attributable to non-controlling interests	**(1)**	(5)
Distributions to non-controlling interests	**(22)**	(60)
Non-controlling interests at end	**372**	750
Equity	**14,515**	13,708

Accumulated Other Comprehensive Income

	As at January 31, 2019	As at January 31, 2018
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**8**	(74)
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**11**	34
Net gains (losses) on instruments designated as cash flow hedges	**48**	152
Share in the other comprehensive income of associates and joint ventures	**(2)**	(2)
	65	110

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)

	Quarter ended January 31	
	2019	2018
Cash flows from operating activities		
Net income	552	550
Adjustments for		
Provisions for credit losses	88	87
Amortization of premises and equipment and intangible assets	83	73
Deferred taxes	8	28
Losses (gains) on sales of non-trading securities, net	(32)	(28)
Share in the net income of associates and joint ventures	(8)	(7)
Stock option expense	3	3
Change in operating assets and liabilities		
Securities at fair value through profit or loss	(3,594)	(6,476)
Securities purchased under reverse repurchase agreements and securities borrowed	2,997	4,269
Loans and acceptances, net of securitization	(1,506)	(449)
Deposits	2,100	108
Obligations related to securities sold short	(2,474)	437
Obligations related to securities sold under repurchase agreements and securities loaned	1,313	5,005
Derivative financial instruments, net	1,666	535
Interest and dividends receivable and interest payable	(80)	(53)
Current tax assets and liabilities	(67)	(91)
Other items	69	(309)
	1,118	3,682
Cash flows from financing activities		
Issuance of preferred shares	–	300
Redemption of preferred shares for cancellation	–	(200)
Issuances of common shares (including the impact of shares purchased for trading)	64	97
Repurchases of common shares for cancellation	(60)	(91)
Share issuance expenses	–	(5)
Dividends paid	(241)	(225)
Distributions to non-controlling interests	(22)	(60)
	(259)	(184)
Cash flows from investing activities		
Purchases of securities measured at fair value through other comprehensive income	(2,999)	(855)
Maturities of securities measured at fair value through other comprehensive income	52	–
Sales of securities measured at fair value through other comprehensive income	2,112	997
Purchases of securities measured at amortized cost	(727)	(842)
Maturities of securities measured at amortized cost	135	–
Sales of securities measured at amortized cost	166	4
Net change in tangible assets leased under operating leases	–	46
Net change in premises and equipment	(31)	(95)
Net change in intangible assets	(75)	(56)
	(1,367)	(801)
Impact of currency rate movements on cash and cash equivalents	105	(293)
Increase (decrease) in cash and cash equivalents	(403)	2,404
Cash and cash equivalents at beginning	12,756	8,801
Cash and cash equivalents at end[(1)]	12,353	11,205
Supplementary information about cash flows from operating activities		
Interest paid	1,212	857
Interest and dividends received	1,995	1,638
Income taxes paid	76	201

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 $2.8 billion as at January 31, 2019 ($2.5 billion as at October 31, 2018) for which there are restrictions.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited) (millions of Canadian dollars)

Note 1 – Basis of Presentation

On February 26, 2019, 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 January 31, 2019.

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

These consolidated financial statements were prepared in accordance with IAS 34 – *Interim Financial Reporting* and using the same accounting policies as those described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018, except for the changes described in Note 2 to these consolidated financial statements, which have been applied since November 1, 2018 following the Bank's adoption of IFRS 15 – *Revenue From Contracts With Customers.*

As stated in Note 2 to its audited annual consolidated financial statements for the year ended October 31, 2018, the Bank adopted IFRS 15 on November 1, 2018. As permitted by IFRS 15, the Bank did not restate comparative consolidated financial statements, and Note 2 to these consolidated financial statements presents the impact of IFRS 15 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2018. Since interim 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, 2018.

Unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Bank's functional and presentation currency.

Note 2 – Accounting Policy Changes

Effective November 1, 2018, the Bank adopted IFRS 15 – *Revenue From Contracts With Customers*, which replaces the previous revenue recognition standards and interpretations. Excluded from the scope of IFRS 15 are revenues related to lease contracts, insurance contracts and financial instruments. Fees earned, which are an integral component of the effective interest rate of financial assets and liabilities measured at amortized cost, are within the scope of IFRS 9 – *Financial Instruments* and therefore outside the scope of IFRS 15. Most of the Bank's revenues, including net interest income, are not impacted by the adoption of this standard.

IFRS 15 provides a single comprehensive model to use when accounting for revenue from contracts with customers. The new revenue recognition is based on a control approach that differs from the risks and rewards approach applied under previous IFRS. The core principle of IFRS 15 is to recognize revenue upon the transfer of control of the promised goods or services to customers in an amount that reflects the consideration expected to be entitled in exchange for the goods and services. Consequently, revenue is recognized when the performance obligation is satisfied by transferring control of the promised good or service to the customer. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. A performance obligation may be satisfied at a point in time or over time. For performance obligations satisfied over time, revenue is recognized over time.

Note 2 – Accounting Policy Changes (cont.)

The Bank must also determine whether its performance obligation is to provide the service itself or to arrange for another party to provide the service (in other words, whether the Bank is acting as a principal or agent). A principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party to satisfy some or all of the performance obligation on its behalf. A principal obtains control of the goods or services of another party in advance of transferring control of those goods or services to a customer. A principal has the primary responsibility for fulfilling the promise to transfer goods or services to a customer. If the Bank is acting as a principal, revenue is recognized on a gross basis in an amount corresponding to the consideration to which the Bank expects to be entitled. If the Bank is acting as an agent, then revenue is recognized net of the service fees and other costs incurred in relation to the commission and fees earned.

The Bank has elected to apply the standard using the modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of *Retained earnings* without restating comparative figures. Adoption of IFRS 15 resulted in a decrease of $4 million to opening *Retained earnings* as at November 1, 2018.

Described below are the significant revenue recognition policies applied to the revenue streams that fall within the scope of IFRS 15.

Underwriting and Advisory Fees
Underwriting and advisory fees include underwriting fees, financial advisory fees and loan syndication fees. These fees are mainly earned in the Financial Markets segment and are recognized at a point in time as revenue upon successful completion of the engagement. Financial advisory services consist of fees earned for assisting customers with transactions related to mergers and acquisitions and financial restructurings. Loan syndication fees represent fees earned as the agent or lead lender responsible for structuring, arranging and administering a loan syndication and are recorded in *Non-interest income* unless the yield on the loan retained by the Bank is less than that of other comparable lenders involved in the financing. In such cases, an appropriate portion of the fees is deferred and amortized using the effective interest rate method, and the amortization is recognized in *Interest income* over the term of the loan.

Securities Brokerage Commissions
Securities brokerage commissions are earned in the Wealth Management segment and are recognized at a point in time when the transaction is executed.

Mutual Fund and Trust Service Revenues
Mutual fund and trust service revenues include management and administration fees. Management fees are primarily calculated on assets under management and are recorded over the period the services are performed. Administration fees are generally based on assets under administration or management and are recorded over the period the services are performed. These fees are earned in the Wealth Management segment.

Card Revenues
Card revenues are earned in the Personal and Commercial segment and include card fees such as annual and transactional fees as well as interchange fees. Interchange fees are recognized when the card transaction is settled. Card fees are recognized at the transaction date except for annual fees, which are recorded evenly throughout the year. Reward costs are recorded as a reduction to card fees.

Credit Fees and Deposit and Payment Service Charges
Credit fees and deposit and payment service charges are earned in the Personal and Commercial, Financial Markets, and U.S. Specialty Finance and International segments. Credit fees are generally recognized in income over the period the services are provided. Deposit and payment service charges include fees related to account maintenance activities and transaction-based service charges. Fees related to account maintenance activities are recognized over the period the services are provided, whereas transaction-based service charges are recognized at a point in time when the transaction is completed.

Note 3 – Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact its consolidated financial statements. Aside from the adoption of IFRS 15 on November 1, 2018, there have been no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2018.

(unaudited) (millions of Canadian dollars)

Note 4 – 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.

								As at January 31, 2019
	Carrying value and fair value				Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Debt securities classified as at fair value through other comprehensive income	Equity securities designated at fair value through other comprehensive income	Financial instruments at amortized cost, net	Financial instruments at amortized cost, net	Total carrying value	Total fair value
Financial assets								
Cash and deposits with financial institutions	–	–	–	–	12,353	12,353	12,353	12,353
Securities	55,933	3,478	6,222	353	8,727	8,741	74,713	74,727
Securities purchased under reverse repurchase agreements and securities borrowed	–	441	–	–	14,721	14,721	15,162	15,162
Loans and acceptances, net of allowances	6,062	–	–	–	140,648	140,548	146,710	146,610
Other								
Derivative financial instruments	7,157	–	–	–	–	–	7,157	7,157
Other assets	–	–	–	–	1,947	1,947	1,947	1,947
Financial liabilities								
Deposits	–	9,787			163,143 (1)	163,371	172,930	173,158
Other								
Acceptances	–	–			6,827	6,827	6,827	6,827
Obligations related to securities sold short	15,306	–			–	–	15,306	15,306
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			21,311	21,311	21,311	21,311
Derivative financial instruments	6,251	–			–	–	6,251	6,251
Liabilities related to transferred receivables	–	6,742			12,556	12,611	19,298	19,353
Other liabilities	21	–			4,707	4,711	4,728	4,732
Subordinated debt	–	–			764	752	764	752

(1) Includes embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

Note 4 – Fair Value of Financial Instruments (cont.)

As at October 31, 2018

	Carrying value and fair value				Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Debt securities classified as at fair value through other comprehensive income	Equity securities designated at fair value through other comprehensive income	Financial instruments at amortized cost, net	Financial instruments at amortized cost, net	Total carrying value	Total fair value
Financial assets								
Cash and deposits with financial institutions	–	–	–	–	12,756	12,756	12,756	12,756
Securities	51,927	3,890	5,317	351	8,298	8,237	69,783	69,722
Securities purchased under reverse repurchase agreements and securities borrowed	–	479	–	–	17,680	17,680	18,159	18,159
Loans and acceptances, net of allowances	6,108	–	–	–	139,974	139,551	146,082	145,659
Other								
Derivative financial instruments	8,608	–	–	–	–	–	8,608	8,608
Other assets	–	–	–	–	1,804	1,804	1,804	1,804
Financial liabilities								
Deposits	–	10,126			160,704 (1)	160,938	170,830	171,064
Other								
Acceptances	–	–			6,801	6,801	6,801	6,801
Obligations related to securities sold short	17,780	–			–	–	17,780	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			19,998	19,998	19,998	19,998
Derivative financial instruments	6,036	–			–	–	6,036	6,036
Liabilities related to transferred receivables	–	7,714			12,386	12,361	20,100	20,075
Other liabilities	21	–			3,163	3,152	3,184	3,173
Subordinated debt	–	–			747	734	747	734

(1) Includes embedded derivative financial instruments.

Establishing Fair Value

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

Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Bank applies other valuation techniques that maximize the use of relevant observable inputs and that minimize the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates. Judgment is required when applying many of the valuation techniques. The Bank's valuation was based on its assessment of the conditions prevailing as at January 31, 2019 and may change in the future. Furthermore, there may be valuation uncertainty resulting from the choice of valuation model used.

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 Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. The valuation techniques used to determine the fair value of financial assets and liabilities are also described in this note, and no significant changes have been made to the valuation techniques.

(unaudited) (millions of Canadian dollars)

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 4 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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

During the quarter ended January 31, 2019, $34 million in securities classified as at fair value through profit or loss and $1 million in obligations related to securities sold short were transferred from Level 2 to Level 1 resulting from changing market conditions ($219 million in securities classified as at fair value through profit or loss and $24 million in obligations related to securities sold short during the quarter ended January 31, 2018). Also during the quarter ended January 31, 2019, $3 million in securities classified as at fair value through profit or loss and $1 million in obligations related to securities sold short were transferred from Level 1 to Level 2 ($23 million in securities classified as at fair value through profit or loss and $1 million in obligations related to securities sold short during the quarter ended January 31, 2018). During the quarters ended January 31, 2019 and 2018, 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 January 31, 2019
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	4,736	8,725	–	13,461
Canadian provincial and municipal governments	–	7,239	–	7,239
U.S. Treasury, other U.S. agencies and other foreign governments	4,330	224	–	4,554
Other debt securities	–	3,278	25	3,303
Equity securities	29,745	809	300	30,854
	38,811	20,275	325	59,411
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	180	2,602	–	2,782
Canadian provincial and municipal governments	–	2,118	–	2,118
U.S. Treasury, other U.S. agencies and other foreign governments	742	–	–	742
Other debt securities	–	580	–	580
Equity securities	–	120	233	353
	922	5,420	233	6,575
Securities purchased under reverse repurchase agreements and securities borrowed	–	441	–	441
Loans	–	5,693	369	6,062
Other				
Derivative financial instruments	75	7,067	15	7,157
	39,808	38,896	942	79,646
Financial liabilities				
Deposits	–	9,912	7	9,919
Other				
Obligations related to securities sold short	10,610	4,696	–	15,306
Derivative financial instruments	121	6,110	20	6,251
Liabilities related to transferred receivables	–	6,742	–	6,742
Other liabilities	–	21	–	21
	10,731	27,481	27	38,239

(unaudited) (millions of Canadian dollars)

Note 4 – Fair Value of Financial Instruments (cont.)

			As at October 31, 2018	
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	5,469	9,130	–	14,599
Canadian provincial and municipal governments	–	10,628	–	10,628
U.S. Treasury, other U.S. agencies and other foreign governments	314	249	–	563
Other debt securities	–	3,391	25	3,416
Equity securities	25,928	395	288	26,611
	31,711	23,793	313	55,817
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	265	2,320	–	2,585
Canadian provincial and municipal governments	–	2,184	–	2,184
U.S. Treasury, other U.S. agencies and other foreign governments	123	–	–	123
Other debt securities	–	425	–	425
Equity securities	–	118	233	351
	388	5,047	233	5,668
Securities purchased under reverse repurchase agreements and securities borrowed	–	479	–	479
Loans	–	5,722	386	6,108
Other				
Derivative financial instruments	97	8,491	20	8,608
	32,196	43,532	952	76,680
Financial liabilities				
Deposits	–	10,210	11	10,221
Other				
Obligations related to securities sold short	12,524	5,256	–	17,780
Derivative financial instruments	211	5,798	27	6,036
Liabilities related to transferred receivables	–	7,714	–	7,714
Other liabilities	–	21	–	21
	12,735	28,999	38	41,772

Financial Instruments Classified in Level 3

The Bank classifies financial instruments in Level 3 when the valuation technique is based on at least one significant input that is not observable in the markets. The Bank maximizes the use of observable inputs to determine the fair value of financial instruments.

For a description of the valuation techniques and significant unobservable inputs used in determining the fair value of financial instruments classified in Level 3, see Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. For the quarter ended January 31, 2019, no significant change was made to the valuation techniques and significant unobservable inputs used in determining fair value.

Sensitivity Analysis of Financial Instruments Classified in Level 3

The Bank performs sensitivity analyses on the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably possible alternative assumptions. For additional information on how a change in unobservable input might affect the fair value measurements of Level 3 financial instruments, see Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. For the quarter ended January 31, 2019, there were no significant changes in the sensitivity analyses of Level 3 financial instruments.

(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 Levels 1 or 2 by the Bank. In addition, the Bank may hedge the fair value of financial instruments classified in Level 3 using other financial instruments classified in Level 3. The effect of these hedges is not included in the net amount presented in the following tables. The gains and losses presented hereafter may comprise changes in fair value based on observable and unobservable inputs.

	Quarter ended January 31, 2019				
	Securities at fair value through profit or loss	**Securities at fair value through other comprehensive income**	**Loans**	**Derivative financial instruments[1]**	**Deposits**
Fair value as at October 31, 2018	**313**	**233**	**386**	**(7)**	**(11)**
Total realized and unrealized gains (losses) included in *Net income* [2]	**22**	**–**	**–**	**4**	**1**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**–**	**–**	**–**	**–**
Purchases	**24**	**–**	**–**	**–**	**–**
Sales	**(34)**	**–**	**–**	**–**	**–**
Issuances	**–**	**–**	**2**	**–**	**–**
Settlements and other	**–**	**–**	**(19)**	**2**	**–**
Financial instruments transferred into Level 3	**–**	**–**	**–**	**(10)**	**–**
Financial instruments transferred out of Level 3	**–**	**–**	**–**	**6**	**3**
Fair value as at January 31, 2019	**325**	**233**	**369**	**(5)**	**(7)**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2019[3]	**16**	**–**	**–**	**4**	**1**

	Quarter ended January 31, 2018				
	Securities at fair value through profit or loss	Securities at fair value through other comprehensive income	Loans	Derivative financial instruments[1]	Deposits
Fair value as at November 1, 2017	184	158	428	20	(1)
Total realized and unrealized gains (losses) included in *Net income* [4]	17	–	–	(5)	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	–	–	–	–
Purchases	7	30	–	–	–
Sales	(6)	–	–	–	–
Issuances	–	–	2	–	–
Settlements and other	–	–	(34)	1	–
Financial instruments transferred into Level 3	–	–	–	–	–
Financial instruments transferred out of Level 3	–	–	–	(1)	–
Fair value as at January 31, 2018	202	188	396	15	(1)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2018[5]	(1)	–	–	(5)	–

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total gains (losses) included in *Non-interest income* was a gain of $27 million.
(3) Total unrealized gains (losses) included in *Non-interest income* was a gain of $21 million.
(4) Total gains (losses) included in *Non-interest income* was a gain of $12 million.
(5) Total unrealized gains (losses) included in *Non-interest income* was a loss of $6 million.

(unaudited) (millions of Canadian dollars)

Note 5 – Financial Instruments Designated at Fair Value Through Profit or Loss

The Bank chose to designate certain financial instruments at fair value through profit or loss according to the criteria presented in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018. Consistent with its risk management strategy and under the fair value option, which permits the designation if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets and liabilities or recognizing gains and losses on different bases, the Bank designated at fair value through profit or loss certain securities, certain securities purchased under reverse repurchase agreements, and certain obligations related to securities sold under repurchase agreements, and certain liabilities related to transferred receivables. 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. There is no exposure to credit risk on the loans to the extent that they are fully collateralized. The Bank also designated certain deposits that include embedded derivative financial instruments at fair value through profit or loss.

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

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

	Carrying value as at January 31, 2019	Unrealized gains (losses) for the quarter ended January 31, 2019	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	3,478	52	(20)
Securities purchased under reverse repurchase agreements	441	–	–
	3,919	52	(20)
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	9,787	(217)	361
Liabilities related to transferred receivables	6,742	(103)	(15)
	16,529	(320)	346

	Carrying value as at January 31, 2018	Unrealized gains (losses) for the quarter ended January 31, 2018	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	4,830	(51)	(100)
Securities purchased under reverse repurchase agreements	467	–	–
	5,297	(51)	(100)
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	8,731	4	81
Securities sold under repurchase agreements	443	–	–
Liabilities related to transferred receivables	7,548	91	5
	16,722	95	86

(1) For the quarter ended January 31, 2019, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income,* resulted in a gain of $72 million ($36 million loss for the quarter ended January 31, 2018).
(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 6 – Securities

Credit Quality

As at January 31, 2019 and as at October 31, 2018, securities at fair value through other comprehensive income and securities at amortized cost are classified in Stage 1, with their credit quality falling mainly in the "Excellent" category according to the Bank's internal risk-rating categories. For additional information on the reconciliation of allowances for credit losses, see Note 7 to these consolidated financial statements.

Gross Gains (Losses) on Securities at Fair Value Through Other Comprehensive Income

				As at January 31, 2019
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value(1)
Securities issued or guaranteed by				
Canadian government	2,775	12	(5)	2,782
Canadian provincial and municipal governments	2,100	20	(2)	2,118
U.S. Treasury, other U.S. agencies and other foreign governments	740	2	–	742
Other debt securities	575	8	(3)	580
Equity securities	366	–	(13)	353
	6,556	42	(23)	6,575

				As at October 31, 2018
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value(1)
Securities issued or guaranteed by				
Canadian government	2,624	1	(40)	2,585
Canadian provincial and municipal governments	2,196	22	(34)	2,184
U.S. Treasury, other U.S. agencies and other foreign governments	123	–	–	123
Other debt securities	434	1	(10)	425
Equity securities	356	–	(5)	351
	5,733	24	(89)	5,668

(1) The allowances for credit losses on securities at fair value through other comprehensive income, representing a negligible amount as at January 31, 2019 and October 31, 2018, are reported in *Other comprehensive income*. For additional information, see Note 7 to these consolidated financial statements.

Equity Securities Designated at Fair Value Through Other Comprehensive Income

The Bank designated certain equity securities, the main business objective of which is to generate dividend income, at fair value through other comprehensive income without subsequent reclassification of gains and losses to net income.

During the quarter ended January 31, 2019, an amount of $2 million in dividend income was recognized for these investments ($1 million for the quarter ended January 31, 2018), including negligible amounts for investments that were sold during the quarters ended January 31, 2019 and 2018.

	Quarter ended January 31, 2019			Quarter ended January 31, 2018		
	Equity securities of private companies	Equity securities of public companies	Total	Equity securities of private companies	Equity securities of public companies	Total
Fair value at the beginning	233	118	351	158	122	280
Change in fair value	–	(8)	(8)	–	4	4
Designated at fair value through other comprehensive income	–	26	26	30	15	45
Sales(1)	–	(16)	(16)	–	(15)	(15)
Fair value at the end	233	120	353	188	126	314

(1) The Bank disposed of public company equity securities for economic reasons.

(unaudited) (millions of Canadian dollars)

Note 6 – Securities (cont.)

Securities at Amortized Cost

	As at January 31, 2019	As at October 31, 2018
Securities issued or guaranteed by		
Canadian government	5,107	4,952
Canadian provincial and municipal governments	1,817	1,680
U.S. Treasury, other U.S. agencies and other foreign governments	110	21
Other debt securities	1,694	1,646
Gross carrying value	8,728	8,299
Allowances for credit losses	1	1
Carrying value	8,727	8,298

Gains (Losses) on Disposals of Securities at Amortized Cost

During the quarters ended January 31, 2019 and 2018, the Bank sold certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $166 million for the quarter ended January 31, 2019 ($4 million for the quarter ended January 31, 2018), and the Bank recognized negligible gains in *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income.

Note 7 – Loans and Allowances for Credit Losses

Determining and Measuring Expected Credit Losses (ECL)

Determining Expected Credit Losses
Expected credit losses are determined using a three-stage impairment approach that is based on the change in the credit quality of financial assets since initial recognition.

Stage 1
Financial assets that have experienced no significant increase in credit risk between initial recognition and the reporting date and for which 12-month expected credit losses are recorded at the reporting date are classified in Stage 1.

Stage 2
Financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date, and for which lifetime expected credit losses are recorded at the reporting date, are classified in Stage 2.

Stage 3
Financial assets for which there is objective evidence of impairment, for which one or more events have had a detrimental impact on the estimated future cash flows of these financial assets at the reporting date, and for which lifetime expected credit losses are recorded, are classified in Stage 3.

POCI
Financial assets that are credit-impaired when purchased or originated (POCI) are classified in the POCI category.

For additional information, see Note 8 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Credit Quality of Loans

The following tables present the gross carrying amounts of loans as at January 31, 2019 and October 31, 2018, according to credit quality and ECL impairment stage of each loan category at amortized cost, and according to credit quality for loans at fair value through profit or loss. For additional information on credit quality according to the Advanced Internal Rating-Based (AIRB) categories, see the "Internal Default Risk Rating" tables on pages 62 and 63 in the "Credit Risk Management" section of the *2018 Annual Report*.

(unaudited) (millions of Canadian dollars)

						As at January 31, 2019
	Non-impaired loans		Impaired loans		Loans at fair value through profit or loss[1]	
	Stage 1	Stage 2	Stage 3	POCI		Total
Residential mortgage						
Excellent	19,705	1	–	–	–	19,706
Good	14,910	8	–	–	–	14,918
Satisfactory	8,524	349	–	–	–	8,873
Special mention	424	567	–	–	–	991
Substandard	89	301	–	–	–	390
Default	–	–	128	–	–	128
AIRB approach	43,652	1,226	128	–	–	45,006
Standardized approach	2,844	21	25	454	5,781	9,125
Gross carrying amount	46,496	1,247	153	454	5,781	54,131
Allowances for credit losses[2]	32	12	23	(60)	–	7
Carrying amount	46,464	1,235	130	514	5,781	54,124
Personal						
Excellent	13,588	3	–	–	–	13,591
Good	10,081	44	–	–	–	10,125
Satisfactory	5,593	822	–	–	–	6,415
Special mention	478	664	–	–	–	1,142
Substandard	94	203	–	–	–	297
Default	–	–	142	–	–	142
AIRB approach	29,834	1,736	142	–	–	31,712
Standardized approach	3,890	130	27	939	–	4,986
Gross carrying amount	33,724	1,866	169	939	–	36,698
Allowances for credit losses[2]	68	114	72	(3)	–	251
Carrying amount	33,656	1,752	97	942	–	36,447
Credit card						
Excellent	351	–	–	–	–	351
Good	278	–	–	–	–	278
Satisfactory	870	39	–	–	–	909
Special mention	296	275	–	–	–	571
Substandard	13	100	–	–	–	113
Default	–	–	–	–	–	–
AIRB approach	1,808	414	–	–	–	2,222
Standardized approach	27	–	–	–	–	27
Gross carrying amount	1,835	414	–	–	–	2,249
Allowances for credit losses[2]	26	101	–	–	–	127
Carrying amount	1,809	313	–	–	–	2,122
Business and government[3]						
Excellent	4,340	–	–	–	107	4,447
Good	24,425	5	–	–	53	24,483
Satisfactory	18,520	782	–	–	82	19,384
Special mention	1,329	1,226	–	–	–	2,555
Substandard	37	274	–	–	–	311
Default	–	–	246	–	–	246
AIRB approach	48,651	2,287	246	–	242	51,426
Standardized approach	2,794	–	35	2	39	2,870
Gross carrying amount	51,445	2,287	281	2	281	54,296
Allowances for credit losses[2]	45	98	135	1	–	279
Carrying amount	51,400	2,189	146	1	281	54,017
Total loans						
Gross carrying amount	133,500	5,814	603	1,395	6,062	147,374
Allowances for credit losses[2]	171	325	230	(62)	–	664
Carrying amount	133,329	5,489	373	1,457	6,062	146,710

(1) Not subject to expected credit losses.
(2) The allowances for credit losses do not include the amounts related to undrawn commitments reported in the *Other liabilities* item of the Consolidated Balance Sheet.
(3) Includes customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

Note 7 – Loans and Allowances for Credit Losses (cont.)

As at October 31, 2018

	Non-impaired loans		Impaired loans		Loans at fair value through profit or loss[1]	
	Stage 1	Stage 2	Stage 3	POCI		Total
Residential mortgage						
Excellent	19,035	–	–	–	–	19,035
Good	14,928	10	–	–	–	14,938
Satisfactory	8,838	348	–	–	–	9,186
Special mention	421	621	–	–	–	1,042
Substandard	81	300	–	–	–	381
Default	–	–	128	–	–	128
AIRB approach	43,303	1,279	128	–	–	44,710
Standardized approach	2,546	27	23	487	5,858	8,941
Gross carrying amount	45,849	1,306	151	487	5,858	53,651
Allowances for credit losses[2]	31	13	21	(64)	–	1
Carrying amount	45,818	1,293	130	551	5,858	53,650
Personal						
Excellent	13,625	2	–	–	–	13,627
Good	10,089	52	–	–	–	10,141
Satisfactory	5,430	902	–	–	–	6,332
Special mention	456	694	–	–	–	1,150
Substandard	91	204	–	–	–	295
Default	–	–	137	–	–	137
AIRB approach	29,691	1,854	137	–	–	31,682
Standardized approach	4,421	140	27	1,087	–	5,675
Gross carrying amount	34,112	1,994	164	1,087	–	37,357
Allowances for credit losses[2]	71	120	71	(3)	–	259
Carrying amount	34,041	1,874	93	1,090	–	37,098
Credit card						
Excellent	416	–	–	–	–	416
Good	306	–	–	–	–	306
Satisfactory	888	37	–	–	–	925
Special mention	294	249	–	–	–	543
Substandard	12	96	–	–	–	108
Default	–	–	–	–	–	–
AIRB approach	1,916	382	–	–	–	2,298
Standardized approach	27	–	–	–	–	27
Gross carrying amount	1,943	382	–	–	–	2,325
Allowances for credit losses[2]	24	105	–	–	–	129
Carrying amount	1,919	277	–	–	–	2,196
Business and government[3]						
Excellent	4,736	–	–	–	111	4,847
Good	24,005	6	–	–	55	24,066
Satisfactory	18,986	1,068	–	–	84	20,138
Special mention	493	758	–	–	–	1,251
Substandard	55	121	–	–	–	176
Default	–	–	276	–	–	276
AIRB approach	48,275	1,953	276	–	250	50,754
Standardized approach	2,611	1	39	2	–	2,653
Gross carrying amount	50,886	1,954	315	2	250	53,407
Allowances for credit losses[2]	48	86	134	1	–	269
Carrying amount	50,838	1,868	181	1	250	53,138
Total loans						
Gross carrying amount	132,790	5,636	630	1,576	6,108	146,740
Allowances for credit losses[2]	174	324	226	(66)	–	658
Carrying amount	132,616	5,312	404	1,642	6,108	146,082

(1) Not subject to expected credit losses.
(2) The allowances for credit losses do not include the amounts related to undrawn commitments reported in the *Other liabilities* item of the Consolidated Balance Sheet.
(3) Includes customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

The following table presents the credit risk exposures of off-balance-sheet commitments as at January 31, 2019 and October 31, 2018 according to credit quality and ECL impairment stage.

	As at January 31, 2019				As at October 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments(1)								
Retail								
Excellent	**11,626**	**8**	**–**	**11,634**	11,440	9	–	11,449
Good	**2,469**	**11**	**–**	**2,480**	2,450	13	–	2,463
Satisfactory	**980**	**109**	**–**	**1,089**	969	117	–	1,086
Special mention	**76**	**81**	**–**	**157**	79	77	–	156
Substandard	**1**	**14**	**–**	**15**	2	13	–	15
Default	**–**	**–**	**2**	**2**	–	–	2	2
Non-retail								
Excellent	**9,535**	**–**	**–**	**9,535**	5,881	–	–	5,881
Good	**14,637**	**1**	**–**	**14,638**	13,570	–	–	13,570
Satisfactory	**4,685**	**305**	**–**	**4,990**	4,302	353	–	4,655
Special mention	**211**	**217**	**–**	**428**	133	142	–	275
Substandard	**2**	**16**	**–**	**18**	3	6	–	9
Default	**–**	**–**	**4**	**4**	–	–	4	4
AIRB approach	**44,222**	**762**	**6**	**44,990**	38,829	730	6	39,565
Standardized approach	**5,932**	**–**	**7**	**5,939**	6,434	–	5	6,439
Total exposure	**50,154**	**762**	**13**	**50,929**	45,263	730	11	46,004
Allowances for credit losses	**41**	**21**	**–**	**62**	38	15	1	54
Total exposure, net of allowances	**50,113**	**741**	**13**	**50,867**	45,225	715	10	45,950

(1) Represent letters of guarantee and documentary letters of credit, undrawn commitments, and backstop liquidity and credit enhancement facilities.

Loans Past Due But Not Impaired(1)

	As at January 31, 2019				As at October 31, 2018			
	Residential mortgage	**Personal**	**Credit card**	**Business and government**(2)	Residential mortgage	Personal	Credit card	Business and government(2)
Past due but not impaired								
31 to 60 days	**94**	**96**	**28**	**44**	105	102	27	36
61 to 90 days	**38**	**35**	**13**	**22**	41	59	13	41
Over 90 days(3)	**–**	**–**	**28**	**–**	–	–	27	–
	132	**131**	**69**	**66**	146	161	67	77

(1) Loans less than 31 days past due are not presented as they are not considered past due from an administrative standpoint.
(2) Includes customers' liability under acceptances.
(3) All loans more than 90 days past due, except for credit card receivables, are considered impaired (Stage 3).

Impaired Loans(1)

	As at January 31, 2019			As at October 31, 2018		
	Gross	**Allowances for credit losses**	**Net**	Gross	Allowances for credit losses	Net
Loans						
Residential mortgage	**153**	**23**	**130**	151	21	130
Personal	**169**	**72**	**97**	164	71	93
Credit card(2)	**–**	**–**	**–**	–	–	–
Business and government(3)	**281**	**135**	**146**	315	134	181
	603	**230**	**373**	630	226	404

(1) All loans classified in Stage 3 of the expected credit loss model are impaired loans. In this table, POCI loans have been excluded.
(2) Credit card receivables are considered impaired, at the latest, when payment is 180 days past due, and they are written off at that time.
(3) Includes customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

Note 7 – Loans and Allowances for Credit Losses (cont.)

Allowances for Credit Losses

The following tables present a reconciliation of the allowances for credit losses by Consolidated Balance Sheet item and by off-balance-sheet commitment.

						Quarter ended January 31, 2019
	Allowances for credit losses as at October 31, 2018	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at January 31, 2019
Balance sheet						
Cash and deposits with financial institutions(2)(3)	1	–	–	–	–	1
Securities(3)						
At fair value through other comprehensive income(4)	–	–	–	–	–	–
At amortized cost(2)	1	–	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	1	7	(1)	–	–	7
Personal	259	41	(57)	–	8	251
Credit card	129	20	(25)	–	3	127
Business and government	249	(1)	(2)	–	–	246
Customers' liability under acceptances	20	13	–	–	–	33
	658	80	(85)	–	11	664
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	3	1	–	–	–	4
Undrawn commitments	49	7	–	–	–	56
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	54	8	–	–	–	62
	714	88	(85)	–	11	728

						Quarter ended January 31, 2018
	Allowances for credit losses as at November 1, 2017	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at January 31, 2018
Balance sheet						
Cash and deposits with financial institutions(2)(3)	1	–	–	–	–	1
Securities(3)						
At fair value through other comprehensive income(4)	–	–	–	–	–	–
At amortized cost(2)	3	(2)	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	18	11	(3)	–	1	27
Personal	261	42	(41)	–	(2)	260
Credit card	128	23	(25)	–	4	130
Business and government	250	23	(37)	–	(3)	233
Customers' liability under acceptances	16	(3)	–	–	–	13
	673	96	(106)	–	–	663
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	3	–	–	–	–	3
Undrawn commitments	54	(7)	–	–	–	47
Backstop liquidity and credit enhancement facilities	1	–	–	–	–	1
	58	(7)	–	–	–	51
	735	87	(106)	–	–	716

(1) The contractual amount outstanding on financial assets that were written off during the quarter ended January 31, 2019 and that are still subject to enforcement activity was $41 million ($35 million for the quarter ended January 31, 2018).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at January 31, 2019 and 2018, these financial assets were mainly classified in Stage 1 and their credit quality fell within the *Excellent* category.
(4) The allowances for credit losses are reported in the *Accumulated other comprehensive income* item of the Consolidated Balance Sheet.
(5) The allowances for credit losses are reported in the *Allowances for credit losses* item of the Consolidated Balance Sheet.
(6) The allowances for credit losses are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

The following tables present the reconciliation of allowances for credit losses for each loan category at amortized cost according to ECL impairment stage.

					Quarter ended January 31, 2019
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Residential mortgage					
Balance as at October 31, 2018	31	13	21	(64)	1
Originations or purchases	6	–	–	–	6
Transfers[2]:					
to Stage 1	4	(3)	(1)	–	–
to Stage 2	–	–	–	–	–
to Stage 3	–	(1)	1	–	–
Net remeasurement of loss allowances[3]	(9)	3	3	4	1
Derecognitions[4]	–	–	–	–	–
Changes to models	–	–	–	–	–
Provisions for credit losses	1	(1)	3	4	7
Write-offs	–	–	(1)	–	(1)
Disposals	–	–	–	–	–
Recoveries	–	–	–	–	–
Foreign exchange movements and other	–	–	–	–	–
Balance as at January 31, 2019	32	12	23	(60)	7
Includes:					
Amounts drawn	32	12	23	(60)	7
Undrawn commitments[5]	–	–	–	–	–
Personal					
Balance as at October 31, 2018	72	121	71	(3)	261
Originations or purchases	9	–	–	–	9
Transfers[2]:					
to Stage 1	20	(18)	(2)	–	–
to Stage 2	(6)	7	(1)	–	–
to Stage 3	(2)	(27)	29	–	–
Net remeasurement of loss allowances[3]	(21)	35	25	–	39
Derecognitions[4]	(3)	(3)	(1)	–	(7)
Changes to models	–	–	–	–	–
Provisions for credit losses	(3)	(6)	50	–	41
Write-offs	–	–	(57)	–	(57)
Disposals	–	–	–	–	–
Recoveries	–	–	8	–	8
Foreign exchange movements and other	–	–	–	–	–
Balance as at January 31, 2019	69	115	72	(3)	253
Includes:					
Amounts drawn	68	114	72	(3)	251
Undrawn commitments[5]	1	1	–	–	2

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2019 was $13 million. The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(4) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(5) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

Note 7 – Loans and Allowances for Credit Losses (cont.)

					Quarter ended January 31, 2019
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI(1)	Total
Credit card					
Balance as at October 31, 2018	40	115	–	–	155
Originations or purchases	2	–	–	–	2
Transfers(2):					
to Stage 1	20	(20)	–	–	–
to Stage 2	(4)	4	–	–	–
to Stage 3	(2)	(8)	10	–	–
Net remeasurement of loss allowances(3)	(13)	22	12	–	21
Derecognitions(4)	(1)	–	–	–	(1)
Changes to models	–	–	–	–	–
Provisions for credit losses	2	(2)	22	–	22
Write-offs	–	–	(25)	–	(25)
Disposals	–	–	–	–	–
Recoveries	–	–	3	–	3
Foreign exchange movements and other	–	–	–	–	–
Balance as at January 31, 2019	42	113	–	–	155
Includes:					
Amounts drawn	26	101	–	–	127
Undrawn commitments(5)	16	12	–	–	28
Business and government(6)					
Balance as at October 31, 2018	65	89	135	1	290
Originations or purchases	9	–	–	–	9
Transfers(2):					
to Stage 1	4	(2)	(2)	–	–
to Stage 2	(3)	6	(3)	–	–
to Stage 3	–	(1)	1	–	–
Net remeasurement of loss allowances(3)	(8)	14	10	–	16
Derecognitions(4)	(3)	(1)	(4)	–	(8)
Changes to models	–	–	–	–	–
Provisions for credit losses	(1)	16	2	–	17
Write-offs	–	–	(2)	–	(2)
Disposals	–	–	–	–	–
Recoveries	–	–	1	–	1
Foreign exchange movements and other	–	–	(1)	–	(1)
Balance as at January 31, 2019	64	105	135	1	305
Includes:					
Amounts drawn	45	98	135	1	279
Undrawn commitments(5)	19	7	–	–	26
Total allowances for credit losses as at January 31, 2019(7)	207	345	230	(62)	720
Includes:					
Amounts drawn	171	325	230	(62)	664
Undrawn commitments(5)	36	20	–	–	56

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2019 was $13 million. The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(4) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(5) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.
(6) Includes customers' liability under acceptances.
(7) Excludes allowances for credit losses on other financial assets at amortized cost and on off-balance-sheet commitments other than undrawn commitments.

(unaudited) (millions of Canadian dollars)

Quarter ended January 31, 2018

	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI(1)	Total
Residential mortgage					
Balance as at November 1, 2017	22	10	17	(31)	18
Originations or purchases	3	–	–	–	3
Transfers(2)(3):					
to Stage 1	2	(2)	–	–	–
to Stage 2	–	1	(1)	–	–
to Stage 3	–	(1)	1	–	–
Net remeasurement of loss allowances(3)(4)	1	5	5	–	11
Derecognitions(5)	(1)	(1)	(1)	–	(3)
Changes to models	–	–	–	–	–
Provisions for credit losses	5	2	4	–	11
Write-offs	–	–	(3)	–	(3)
Disposals	–	–	–	–	–
Recoveries	–	–	1	–	1
Foreign exchange movements and other	(1)	–	–	1	–
Balance as at January 31, 2018	26	12	19	(30)	27
Includes:					
Amounts drawn	26	12	19	(30)	27
Undrawn commitments(6)	–	–	–	–	–
Personal					
Balance as at November 1, 2017	91	107	59	7	264
Originations or purchases	12	–	–	–	12
Transfers(2)(3):					
to Stage 1	16	(15)	(1)	–	–
to Stage 2	(7)	8	(1)	–	–
to Stage 3	(2)	(28)	30	–	–
Net remeasurement of loss allowances(3)(4)	(23)	52	13	(5)	37
Derecognitions(5)	(4)	(3)	(1)	–	(8)
Changes to models	–	–	–	–	–
Provisions for credit losses	(8)	14	40	(5)	41
Write-offs	–	–	(41)	–	(41)
Disposals	–	–	–	–	–
Recoveries	–	–	3	–	3
Foreign exchange movements and other	(2)	(2)	(1)	–	(5)
Balance as at January 31, 2018	81	119	60	2	262
Includes:					
Amounts drawn	80	118	60	2	260
Undrawn commitments(6)	1	1	–	–	2

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2018 was $25 million. The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Following an improvement to the process used to reconcile allowances for credit losses, certain amounts have been changed from those previously reported.
(4) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(5) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(6) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

Note 7 – Loans and Allowances for Credit Losses (cont.)

					Quarter ended January 31, 2018
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI(1)	Total
Credit card					
Balance as at November 1, 2017	41	112	–	–	153
Originations or purchases	2	–	–	–	2
Transfers(2)(3):					
to Stage 1	23	(23)	–	–	–
to Stage 2	(4)	4	–	–	–
to Stage 3	–	(12)	12	–	–
Net remeasurement of loss allowances(3)(4)	(21)	34	9	–	22
Derecognitions(5)	–	(1)	–	–	(1)
Changes to models	–	–	–	–	–
Provisions for credit losses	–	2	21	–	23
Write-offs	–	–	(25)	–	(25)
Disposals	–	–	–	–	–
Recoveries	–	–	4	–	4
Foreign exchange movements and other	–	–	–	–	–
Balance as at January 31, 2018	41	114	–	–	155
Includes:					
Amounts drawn	30	100	–	–	130
Undrawn commitments(6)	11	14	–	–	25
Business and government(7)					
Balance as at November 1, 2017	53	74	165	–	292
Originations or purchases	11	–	–	–	11
Transfers(2)(3):					
to Stage 1	11	(7)	(4)	–	–
to Stage 2	(1)	2	(1)	–	–
to Stage 3	–	–	–	–	–
Net remeasurement of loss allowances(3)(4)	(14)	9	16	–	11
Derecognitions(5)	(4)	(1)	(3)	–	(8)
Changes to models	–	–	–	–	–
Provisions for credit losses	3	3	8	–	14
Write-offs	–	–	(37)	–	(37)
Disposals	–	–	–	–	–
Recoveries	–	–	1	–	1
Foreign exchange movements and other	–	–	(4)	–	(4)
Balance as at January 31, 2018	56	77	133	–	266
Includes:					
Amounts drawn	41	73	132	–	246
Undrawn commitments(6)	15	4	1	–	20
Total allowances for credit losses as at January 31, 2018(8)	204	322	212	(28)	710
Includes:					
Amounts drawn	177	303	211	(28)	663
Undrawn commitments(6)	27	19	1	–	47

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2018 was $25 million. The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Following an improvement to the process used to reconcile allowances for credit losses, certain amounts have been changed from those previously reported.
(4) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(5) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(6) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.
(7) Includes customers' liability under acceptances.
(8) Excludes allowances for credit losses on other financial assets at amortized cost and on off-balance-sheet commitments other than undrawn commitments.

(unaudited) (millions of Canadian dollars)

Note 8 – 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. For additional information on the nature of those transactions, see Note 9 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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 January 31, 2019	As at October 31, 2018
Carrying value of financial assets transferred but not derecognized		
Securities(1)	51,484	44,125
Residential mortgages	18,844	20,064
	70,328	64,189
Carrying value of associated liabilities(2)	36,475	32,834
Fair value of financial assets transferred but not derecognized		
Securities(1)	51,484	44,125
Residential mortgages	18,922	19,993
	70,406	64,118
Fair value of associated liabilities(2)	36,530	32,809

(1) The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For the 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 $3,646 million as at January 31, 2019 ($287 million as at October 31, 2018) 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 $7,779 million as at January 31, 2019 ($7,550 million as at October 31, 2018).

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

	As at January 31, 2019	As at October 31, 2018
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	19,288	20,576
Securities sold under repurchase agreements	17,513	12,927
Securities loaned	33,527	30,686
	70,328	64,189

(unaudited) (millions of Canadian dollars)

Note 9 – Other Assets

	As at January 31, 2019	As at October 31, 2018
Receivables, prepaid expenses and other items	748	775
Interest and dividends receivable	550	549
Due from clients, dealers and brokers	1,397	1,255
Defined benefit asset	49	64
Deferred tax assets	312	324
Current tax assets	173	113
Reinsurance assets	32	31
	3,261	3,111

Note 10 – Deposits

	As at January 31, 2019			As at October 31, 2018
	On demand or after notice(1)	Fixed term(2)	Total	Total
Personal	29,132	28,594	57,726	55,688
Business and government	52,837	57,327	110,164	110,321
Deposit-taking institutions	2,840	2,200	5,040	4,821
	84,809	88,121	172,930	170,830

(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, among other items, covered bonds, the balance of which was $8.3 billion as at January 31, 2019 ($8.3 billion as at October 31, 2018). During the quarter ended January 31, 2019, an amount of 1.0 billion euros of covered bonds issued under the legislative covered bond program came to maturity, and the Bank issued covered bonds in amounts of US$270 million and 750 million euros (no transaction during the quarter ended January 31, 2018). For additional information on covered bonds, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Note 11 – Other Liabilities

	As at January 31, 2019	As at October 31, 2018
Accounts payable and accrued expenses	1,393	1,790
Subsidiaries' debts to third parties	987	1,033
Interest and dividends payable	940	1,012
Due to clients, dealers and brokers	1,778	796
Defined benefit liability	249	186
Allowances for credit losses — off-balance-sheet commitments (Note 7)	62	54
Deferred tax liabilities	19	25
Current tax liabilities	41	48
Insurance liabilities	43	50
Other items(1)(2)	641	830
	6,153	5,824

(1) As at January 31, 2019, other items included an $11 million restructuring provision ($14 million as at October 31, 2018).
(2) As at January 31, 2019, other items included a $9 million litigation provision ($9 million as at October 31, 2018).

(unaudited) (millions of Canadian dollars)

Note 12 – Share Capital

Repurchase of Common Shares

On June 6, 2018, the Bank began a normal course issuer bid to repurchase for cancellation up to 8,000,000 common shares (representing approximately 2.36% of its outstanding common shares) over the 12-month period ending no later than June 5, 2019. On June 5, 2017, the Bank had begun a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares (representing approximately 1.76% of its outstanding common shares) over the 12-month period ended June 4, 2018. Any repurchase through the Toronto Stock Exchange is done at market prices. The common shares may also be repurchased through other means authorized by the Toronto Stock Exchange and applicable regulations, including private agreements or share repurchase programs under issuer bid exemption orders issued by the securities regulators. A private purchase made under an exemption order issued by a securities regulator will be done at a discount to the prevailing market price. The amounts that are paid above the average book value of the common shares are charged to *Retained earnings.* During the quarter ended January 31, 2019, the Bank repurchased 1,047,200 common shares for $60 million, which reduced *Common share* capital by $9 million and *Retained earnings* by $51 million. During the quarter ended January 31, 2018, the Bank had repurchased 1,500,000 common shares for $91 million, which had reduced *Common share capital* by $13 million and *Retained earnings* by $78 million.

Shares Outstanding

	As at January 31, 2019		As at October 31, 2018	
	Number of shares	Shares $	Number of shares	Shares $
First Preferred Shares				
Series 30	**14,000,000**	**350**	14,000,000	350
Series 32	**12,000,000**	**300**	12,000,000	300
Series 34	**16,000,000**	**400**	16,000,000	400
Series 36	**16,000,000**	**400**	16,000,000	400
Series 38	**16,000,000**	**400**	16,000,000	400
Series 40	**12,000,000**	**300**	12,000,000	300
Series 42	**12,000,000**	**300**	12,000,000	300
	98,000,000	**2,450**	98,000,000	2,450
Common shares at beginning of the fiscal year	**335,070,642**	**2,822**	339,591,965	2,768
Issued pursuant to the Stock Option Plan	**796,356**	**23**	3,129,313	128
Repurchases of common shares for cancellation	**(1,047,200)**	**(9)**	(7,500,000)	(64)
Impact of shares purchased or sold for trading(1)	**679,863**	**44**	(149,430)	(10)
Other	**–**	**–**	(1,206)	–
Common shares at end of the period	**335,499,661**	**2,880**	335,070,642	2,822

(1) As at January 31, 2019, 23,547 shares were held for trading, representing $1 million (703,410 shares held for trading representing $45 million as at October 31, 2018).

Dividends Declared

	Quarter ended January 31			
	2019		2018	
	Dividends $	Dividends per share	Dividends $	Dividends per share
First Preferred Shares				
Series 30	**3**	**0.2563**	3	0.2563
Series 32	**3**	**0.2438**	3	0.2438
Series 34	**6**	**0.3500**	6	0.3500
Series 36	**5**	**0.3375**	5	0.3375
Series 38	**5**	**0.2781**	5	0.2781
Series 40	**3**	**0.2875**	–	–
Series 42	**4**	**0.3094**	–	–
	29		22	
Common shares	**218**	**0.6500**	205	0.6000
	247		227	

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. In December 2016, 799,563 of these shares were released to shareholders, and 108,341 shares were cancelled, mainly upon the settlement of certain indemnifications guaranteed by those shares. During the year ended October 31, 2018, 3,778 of these shares were released to shareholders and 1,206 shares were cancelled. As at January 31, 2019, the number of common shares held in escrow was 23,897 (23,897 as at October 31, 2018). The Bank expects that the remaining shares in escrow will be settled by the end of calendar year 2019.

(unaudited) (millions of Canadian dollars)

Note 13 – Non-Controlling Interests

	As at January 31, 2019	As at October 31, 2018
Trust units issued by NBC Asset Trust (NBC CapS II) – Series 2[1]	352	359
Other	20	20
	372	379

(1) Includes $2 million in accrued interest as at January 31, 2019 ($9 million as at October 31, 2018).

Note 14 – Capital Disclosure

The Bank and all other major Canadian banks must 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 of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks (D-SIBs). The banks also have to meet the revised capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. In addition, during the year ended October 31, 2018, OSFI introduced a domestic stability buffer of 1.5% that must be maintained by the D-SIBs. This buffer is exclusively made up of CET1 capital. OSFI has also been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

During the quarter ended January 31, 2019, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III

	As at January 31, 2019	As at October 31, 2018
Capital		
CET1	8,822	8,608
Tier 1	11,624	11,410
Total	12,547	12,352
Risk-weighted assets		
CET1 capital	77,036	73,654
Tier 1 capital	77,036	73,670
Total capital	77,036	73,685
Total exposure	286,655	284,337
Capital ratios		
CET1	11.5 %	11.7 %
Tier 1	15.1 %	15.5 %
Total	16.3 %	16.8 %
Leverage ratio	4.1 %	4.0 %

(unaudited) (millions of Canadian dollars)

Note 15 – Share-Based Payments

Stock Option Plan

During the quarter ended January 31, 2019, the Bank awarded 2,116,892 stock options (1,836,348 stock options during the quarter ended January 31, 2018) with an average fair value of $6.14 per option ($7.42 in 2018).

As at January 31, 2019, there were 14,384,526 stock options outstanding (13,064,746 stock options as at October 31, 2018).

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

	Quarter ended January 31	
	2019	2018
Risk-free interest rate	**2.50%**	2.11%
Expected life of options	**7 years**	7 years
Expected volatility	**18.40%**	18.87%
Expected dividend yield	**4.37%**	3.80%

During the quarter ended January 31, 2019, a $3 million compensation expense was recorded for this plan ($3 million for the quarter ended January 31, 2018).

Note 16 – Employee Benefits – Pension Plans and Other Post-Employment Benefits

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 January 31
	Pension plans		Other post-employment benefit plans	
	2019	2018	**2019**	2018
Current service cost	**23**	28	**1**	1
Interest expense (income), net	**1**	1	**2**	2
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**25**	30	**3**	3
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**224**	–	**9**	–
Return on plan assets(2)	**(162)**	(49)		
Remeasurements recognized in *Other comprehensive income*	**62**	(49)	**9**	–
	87	(19)	**12**	3

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

Note 17 – Earnings Per Share

Diluted earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding after taking into account the dilution effect of stock options using the treasury stock method and any gain (loss) on redemption of preferred shares.

	Quarter ended January 31	
	2019	2018
Basic earnings per share		
Net income attributable to the Bank's shareholders	**536**	527
Dividends on preferred shares	**29**	22
Net income attributable to common shareholders	**507**	505
Weighted average basic number of common shares outstanding *(thousands)*	**335,716**	340,950
Basic earnings per share *(dollars)*	**1.51**	1.48
Diluted earnings per share		
Net income attributable to common shareholders	**507**	505
Weighted average basic number of common shares outstanding *(thousands)*	**335,716**	340,950
Adjustment to average number of common shares *(thousands)*		
Stock options[1]	**2,869**	4,508
Weighted average diluted number of common shares outstanding *(thousands)*	**338,585**	345,458
Diluted earnings per share *(dollars)*	**1.50**	1.46

(1) For the quarter ended January 31, 2019, the calculation of diluted earnings per share excluded an average number of 1,799,080 options outstanding with a weighted average exercise price of $64.14 (1,037,936 options outstanding with a weighted average exercise price of $64.14 for the quarter ended January 31, 2018), as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 18 – Contingent Liabilities

Litigation

In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other legal remedies of varied natures.

More specifically, the Bank is involved as a defendant in class actions instituted by consumers contesting, *inter alia*, certain transaction fees or who wish to avail themselves of certain legislative provisions relating to consumer protection. The recent developments in the main legal proceedings involving the Bank are as follows:

Watson

In 2011, a class action was filed in the Supreme Court of British Columbia against Visa Corporation Canada (Visa) and MasterCard International Incorporated (MasterCard) (the Networks) as well as National Bank and a number of other Canadian financial institutions. A similar action was also initiated in Quebec, Ontario, Alberta and Saskatchewan. In each of the actions, the Networks and financial institutions are alleged to have been involved in a price-fixing system to maintain and increase the fees paid by merchants on transactions executed using the credit cards of the Networks. In so doing, they would notably be in breach of the *Competition Act*. An unspecified amount of compensatory and punitive damages is being claimed. In 2017, a settlement was reached with the plaintiffs; in 2018 it was then approved by the trial courts in each of the five jurisdictions where the action was initiated. The rulings approving the settlement are now the subject of appeal proceedings in multiple jurisdictions.

Defrance

On January 21, 2019, the Quebec Superior Court authorized a class action against National Bank and several other Canadian financial institutions on behalf of consumers residing in Quebec. The plaintiffs allege that non-sufficient funds charges, billed by all of the defendants when a payment order is refused due to non-sufficient funds, are illegal and prohibited by the *Consumer Protection Act*. The plaintiffs are claiming, in the form of damages, the repayment of these charges as well as punitive damages.

It is impossible to determine the outcome of the claims instituted or which may be instituted against the Bank and its subsidiaries. The Bank estimates, based on the information at its disposal, that while the amount of contingent liabilities pertaining to these claims, taken individually or in the aggregate, could have a material impact on the Bank's consolidated operating income for a particular period, it would not have a material adverse impact on the Bank's consolidated financial position.

(unaudited) (millions of Canadian dollars)

Note 19 – Segment Disclosures

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

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the year beginning November 1, 2018. This presentation reflects the fact that advisor banking service activities, which had previously been presented in the Wealth Management segment, are now presented in the Personal and Commercial segment. The Bank made this change to better align the monitoring of its activities with its management structure.

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

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

Financial Markets
The Financial Markets segment encompasses corporate banking and investment banking and financial solutions for large and mid-size corporations, public sector organizations, and institutional investors. The segment is also active in proprietary trading and investment activities for the Bank.

U.S. Specialty Finance and International (USSF&I)
The USSF&I segment encompasses the specialty finance expertise provided by the Credigy subsidiary; the activities of the ABA Bank subsidiary, which offers financial products and services to individuals and businesses in Cambodia; and the activities of targeted investments in certain emerging markets.

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

Quarter ended January 31[(1)]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net interest income[(2)]	**589**	560	**128**	108	**77**	99	**158**	147	**(89)**	(80)	**863**	834
Non-interest income[(2)]	**263**	255	**306**	316	**333**	355	**13**	14	**21**	32	**936**	972
Total revenues	**852**	815	**434**	424	**410**	454	**171**	161	**(68)**	(48)	**1,799**	1,806
Non-interest expenses	**458**	443	**265**	269	**175**	176	**68**	60	**60**	76	**1,026**	1,024
Contribution	**394**	372	**169**	155	**235**	278	**103**	101	**(128)**	(124)	**773**	782
Provisions for credit losses	**58**	58	**–**	–	**3**	–	**27**	29	**–**	–	**88**	87
Income before income taxes (recovery)	**336**	314	**169**	155	**232**	278	**76**	72	**(128)**	(124)	**685**	695
Income taxes (recovery)[(2)]	**90**	84	**44**	41	**62**	74	**16**	22	**(79)**	(76)	**133**	145
Net income	**246**	230	**125**	114	**170**	204	**60**	50	**(49)**	(48)	**552**	550
Non-controlling interests	**–**	–	**–**	–	**–**	–	**10**	9	**6**	14	**16**	23
Net income attributable to the Bank's shareholders	**246**	230	**125**	114	**170**	204	**50**	41	**(55)**	(62)	**536**	527
Average assets	**111,145**	104,612	**6,492**	6,030	**104,545**	101,816	**10,448**	8,777	**46,796**	41,190	**279,426**	262,425

(1) For the quarter ended January 31, 2018, certain amounts have been reclassified from those previously reported, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.

(2) The *Net interest income*, *Non-interest income* and *Income taxes (recovery)* items of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of 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 $35 million ($38 million in 2018), *Non-interest income* was grossed up by $28 million ($21 million in 2018), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

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
Email: *investorrelations@nbc.ca*
Website: nbc.ca/investorrelations

Public Affairs
600 De La Gauchetière Street West, 18th Floor
Montreal, Quebec H3B 4L2
Telephone: 514-394-8644
Email: *pa@nbc.ca*

Quarterly Report Publication Dates for Fiscal 2019
(subject to approval by the Board of Directors of the Bank)

First quarter	February 27
Second quarter	May 30
Third quarter	August 28
Fourth quarter	December 4

Disclosure of First Quarter 2019 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, February 27, 2019 at 1:00 p.m. EST.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 8475074#.
- A recording of the conference call can be heard until March 27, 2019 by dialing 1-800-408-3053 or 905-694-9451. The access code is 1511461#.

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 and Pillar 3 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 of record may 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

Shareholders whose shares are held by a market intermediary are asked to contact the market intermediary concerned.

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

Dividends
Dividends paid are "eligible dividends" in accordance with the *Income Tax Act* (Canada).

NATIONAL BANK