Report to Shareholders First Quarter 2020

National Bank reports its results for the First Quarter of 2020

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter ended January 31, 2020 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, 2020 – For the first quarter of 2020, National Bank is reporting net income of $610 million, an 11% increase from $552 million in the first quarter of 2019. First-quarter diluted earnings per share stood at $1.67, up 11% from $1.50 in the first quarter of 2019. These increases were driven by sound net income growth across all the business segments. At $620 million, first-quarter net income excluding specified items grew 12% from $552 million in the same quarter of 2019. First-quarter diluted earnings per share excluding specified items stood at $1.70, a 13% increase from $1.50 in the same quarter of 2019. The specified items are described on page 4.

Commenting on the Bank's financial results for the first quarter of 2020, Louis Vachon, President and Chief Executive Officer of National Bank of Canada, highlighted "the solid performance of each business segment." He added, "The Bank is maintaining its strategy of balancing volume growth with disciplined cost management and prudent risk management."

Highlights

(millions of Canadian dollars)			Quarter ended January 31
	2020	2019	% Change
Net income	**610**	552	11
Diluted earnings per share *(dollars)*	**$ 1.67**	$ 1.50	11
Return on common shareholders' equity	**18.0 %**	17.2 %	
Dividend payout ratio	**41.4 %**	41.2 %	
Excluding specified items[1]			
Net income excluding specified items	**620**	552	12
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.70**	$ 1.50	13
Return on common shareholders' equity excluding specified items	**18.3 %**	17.2 %	
Dividend payout ratio excluding specified items	**41.1 %**	41.2 %	
	As at January 31, 2020	As at October 31, 2019	
CET1 capital ratio under Basel III	**11.7 %**	11.7 %	
Leverage ratio under Basel III	**4.0 %**	4.0 %	

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

Personal and Commercial

- Net income totalled $251 million in the first quarter of 2020, up 4% from $242 million in the first quarter of 2019.
- At $880 million, the 2020 first-quarter total revenues rose $29 million or 3% year over year.
- Rising 4% from a year ago, personal lending experienced growth, particularly due to mortgage lending, while commercial lending grew 6% from a year ago.
- The net interest margin stood at 2.21% in the first quarter of 2020 compared to 2.22% in the first quarter of 2019.
- First-quarter non-interest expenses were up 1% year over year.
- At 53.2%, the first-quarter efficiency ratio improved from 54.4% in the first quarter of 2019.

Wealth Management

- Net income totalled $135 million in the first quarter of 2020, up 10% from $123 million in the same quarter of 2019.
- First-quarter total revenues amounted to $465 million compared to $434 million in first quarter 2019, a $31 million or 7% increase driven mainly by growth in fee-based revenues.
- First-quarter non-interest expenses stood at $282 million, up 6% from $267 million in the first quarter of 2019.
- At 60.6%, the first-quarter efficiency ratio improved from 61.5% in the first quarter of 2019.

Financial Markets

- Net income totalled $184 million in the first quarter of 2020, a 10% increase from $168 million in the same quarter of 2019.
- First-quarter total revenues on a taxable equivalent basis(1) amounted to $458 million, a $48 million or 12% year-over-year increase attributable mainly to the global markets revenue category.
- First-quarter non-interest expenses stood at $199 million compared to $178 million in the first quarter of 2019.
- At 43.4%, the efficiency ratio on a taxable equivalent basis(1) remained stable compared to the first quarter of 2019.

U.S. Specialty Finance and International

- Net income totalled $85 million in the first quarter of 2020, a 42% increase from $60 million in the first quarter of 2019.
- The 2020 first-quarter total revenues amounted to $195 million, a 14% year-over-year increase owing to revenue growth at the ABA Bank subsidiary.
- First-quarter non-interest expenses stood at $78 million, a $10 million year-over-year increase attributable to expansion of ABA Bank's banking network.

Other

- The *Other* heading posted a net loss of $45 million in the first quarter of 2020 versus a $41 million net loss in the same quarter of 2019.

Capital Management

- As at January 31, 2020, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 11.7%, stable compared to October 31, 2019.
- As at January 31, 2020, the Basel III leverage ratio was 4.0%, stable compared to October 31, 2019.

(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, 2020

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, 2020 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, 2020 and with the *2019 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 of the *2019 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 2020 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 2020 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 58 of the *2019 Annual Report*, and more 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; potential disruptions to the Bank's information technology systems, including evolving cyberattack risk and possible impacts of catastrophic events affecting local and global economies, including public health emergencies and natural disasters.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the *2019 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, 2019, the Bank adopted IFRS 16 on November 1, 2019. As permitted by the IFRS 16 transitional provisions, the Bank elected to apply IFRS 16 using the modified retrospective basis, with no restatement of comparative periods. Note 2 to these consolidated financial statements presents the impacts of IFRS 16 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2019 and additional information on adoption of IFRS 16. 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, 2019.

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 performance of the Bank's operations. Securities regulators require companies to caution readers that non-GAAP financial measures do not have standardized meanings 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.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended January 31		
	2020	2019	% Change
Net income excluding specified items[1]			
Personal and Commercial	**251**	242	4
Wealth Management	**135**	123	10
Financial Markets	**184**	168	10
U.S. Specialty Finance and International	**85**	60	42
Other	**(35)**	(41)	
Net income excluding specified items	**620**	552	12
Charge related to Maple[2]	**(10)**	–	
Net income	**610**	552	11
Diluted earnings per share excluding specified items	**$ 1.70**	$ 1.50	13
Charge related to Maple[2]	**(0.03)**	–	
Diluted earnings per share	**$ 1.67**	$ 1.50	11
Return on common shareholders' equity			
Including specified items	**18.0 %**	17.2 %	
Excluding specified items	**18.3 %**	17.2 %	

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.

(2) During the quarter ended January 31, 2020, the Bank recorded a charge of $13 million ($10 million net of income taxes) related to Maple Financial Group Inc. (Maple) in the *Other* heading of segment results following the event that occurred in December 2019, as described in the Contingent Liabilities section on page 16.

Highlights

(millions of Canadian dollars, except per share amounts)			Quarter ended January 31
	2020	2019	% Change
Operating results			
Total revenues	1,923	1,799	7
Net income	610	552	11
Net income attributable to the Bank's shareholders	594	536	11
Return on common shareholders' equity	18.0 %	17.2 %	
Earnings per share			
Basic	$ 1.69	$ 1.51	12
Diluted	1.67	1.50	11
Operating results on a taxable equivalent basis and excluding specified items(1)			
Total revenues on a taxable equivalent basis	2,010	1,862	8
Net income excluding specified items	620	552	12
Return on common shareholders' equity excluding specified items	18.3 %	17.2 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	53.6 %	55.1 %	
Earnings per share excluding specified items(1)			
Basic	$ 1.72	$ 1.51	14
Diluted	1.70	1.50	13
Common share information			
Dividends declared	$ 0.71	$ 0.65	
Book value	37.58	34.85	
Share price			
High	74.22	61.80	
Low	68.25	54.97	
Close	73.43	61.80	
Number of common shares *(thousands)*	335,818	335,500	
Market capitalization	24,659	20,734	

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019	% Change
Balance sheet and off-balance-sheet			
Total assets	289,191	281,458	3
Loans and acceptances, net of allowances	156,151	153,251	2
Deposits	197,504	189,566	4
Equity attributable to common shareholders	12,621	12,328	2
Assets under administration and under management	606,804	565,396	7
Regulatory ratios under Basel III			
Capital ratios			
Common Equity Tier 1 (CET1)	11.7 %	11.7 %	
Tier 1	14.9 %	15.0 %	
Total	16.0 %	16.1 %	
Leverage ratio	4.0 %	4.0 %	
Liquidity coverage ratio (LCR)	144 %	146 %	
Other information			
Number of employees – Worldwide	26,314	25,487	3
Number of branches in Canada	416	422	(1)
Number of banking machines in Canada	933	939	(1)

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

Economic Review and Outlook

Global Economy

The ratification of the Phase 1 trade deal between Washington and Beijing was met with relief. But just as the threat of a trade war was subsiding and the global manufacturing sector was stabilizing, the prospects for business profitability were muddied by a new danger, this time in the form of a frightening disease. Estimates of the economic impacts of coronavirus (COVID-19) will remain speculative until we have a better idea of the epidemic curve and the vaccine developed, or both. The Chinese government has already ordered the largest quarantine operation in human history (affecting 60 million people) to slow down propagation of the virus. Beijing has also ordered an extension of the Lunar New Year holiday and school closures. These restrictions will put a serious strain on the global supply chain. The consequences for the global economy of a prolonged shutdown of China's economy would be much greater today than during the SARS epidemic of 2003. In 2002, China had only just joined the World Trade Organization, and its economy represented 8% of global GDP. Today, it accounts for 20%. In 2002, the United States was the main trading partner of most countries around the world. Today, China is. Given these circumstances, we have reduced our global GDP forecast for 2020 by only one-tenth to 3.1%[(1)], but additional reductions could be justified if virus-related production stoppages prove to be long-lasting.

Barring any new fiscal stimulus, the U.S. economy will likely slow again in 2020 to 1.9%[(1)], a growth rate closer to its potential. Supported by healthy household balance sheets and a vibrant labour market, consumer spending will remain the driving force of the economy. The housing sector is expected to continue benefitting from the interest rate cuts made in 2019, as evidenced by the strong rebound in recent months. Given these factors, we do not believe that further rate cuts will be required in 2020. The Chair of the U.S. Federal Reserve, Jerome Powell, has already set a high bar for further interest rate cuts, stating that only a significant revision to the U.S. Federal Reserve's outlook could warrant a further policy easing.

Canadian Economy

After unexpectedly beating forecasts earlier this year, the Canadian economy slowed sharply in the fourth quarter of 2019, raising some concerns at the Bank of Canada. The central bank's accommodative tone has prompted markets to raise their bets on the adoption of monetary stimulus this year, which could admittedly occur should the economic slowdown persist. But we expect growth to rebound, as several temporary disruptions are set to reverse in the first quarter of 2020, including the end of the Canadian National Railway Company (CN) strike and the reactivation of the Keystone pipeline following a rupture. In addition, a replenishment of inventories in the United States after last quarter's liquidation is expected to help Canadian exporters bounce back after a disastrous fourth quarter in 2019. A strong labour market coupled with lower interest rates has fuelled a rebound in the housing market. With a tax cut for middle-class households expected to drive consumer spending in 2020 and help the economy grow close to its potential (1.8%[(1)]), we remain skeptical about the need to cut interest rates in Canada barring a COVID-19 pandemic.

Quebec Economy

Quebec's economy continued to grow at a sustained pace in 2019, with growth pegged at 2.8%[(1)], well above the 1.6%[(1)] expected for the Canadian economy. An accommodative monetary policy, a weak currency and fiscal stimulus boosted Quebec's economy and labour market. In 2019, over 60,000 new jobs were created in the province, including no fewer than 52,000 full-time positions. In this environment, the unemployment rate continues to flirt with historical lows. Labour shortages are also reflected in the hourly wages of permanent workers, up an annualized 5.6% in the fourth quarter of 2019. These conditions ushered in a record year for housing sales in 2019 in Quebec's more affordable real estate market. Economic growth is expected to remain strong at 1.9%[(1)] in 2020. Households boast a high savings rate and lower debt levels than in the rest of Canada, a promising sign for spending in the coming quarters.

(1) GDP growth expectations, Economy and Strategy

Financial Analysis

Consolidated Results

(millions of Canadian dollars)		Quarter ended January 31	
	2020	2019	% Change
Operating results			
Net interest income	930	863	8
Non-interest income	993	936	6
Total revenues	1,923	1,799	7
Non-interest expenses	1,091	1,026	6
Contribution	832	773	8
Provisions for credit losses	89	88	1
Income before income taxes	743	685	8
Income taxes	133	133	–
Net income	610	552	11
Diluted earnings per share *(dollars)*	1.67	1.50	11
Taxable equivalent basis[1]			
Net interest income	57	35	
Non-interest income	30	28	
Income taxes	87	63	
Impact of taxable equivalent basis on net income	–	–	
Specified items[1]			
Charge related to Maple	(13)	–	
Specified items before income taxes	(13)	–	
Income taxes on specified items	(3)	–	
Specified items after income taxes	(10)	–	
Operating results on a taxable equivalent basis and excluding specified items[1]			
Net interest income on a taxable equivalent basis	987	898	10
Non-interest income on a taxable equivalent basis	1,023	964	6
Total revenues on a taxable equivalent basis	2,010	1,862	8
Non-interest expenses excluding specified items	1,078	1,026	5
Contribution on a taxable equivalent basis and excluding specified items	932	836	11
Provisions for credit losses	89	88	1
Income before income taxes on a taxable equivalent basis and excluding specified items	843	748	13
Income taxes on a taxable equivalent basis and excluding specified items	223	196	14
Net income excluding specified items	620	552	12
Diluted earnings per share excluding specified items *(dollars)*	1.70	1.50	13
Average assets	300,270	279,426	7
Average loans and acceptances	152,766	146,083	5
Average deposits	204,374	176,490	16
Efficiency ratio on a taxable equivalent basis and excluding specified items[1]	53.6 %	55.1 %	

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

Financial Results

For the first quarter of 2020, National Bank generated net income of $610 million, an 11% increase from $552 million in the first quarter of 2019. First-quarter diluted earnings per share stood at $1.67, up 11% from $1.50 in first quarter 2019. These increases were driven by sound net income growth across all the business segments.

At $620 million, first-quarter net income excluding specified items grew 12% from $552 million in the same quarter of 2019. First-quarter diluted earnings per share excluding specified items stood at $1.70, a 13% increase from $1.50 in the same quarter of 2019. For fiscal 2020, the first-quarter specified item, net of income taxes, consisted of a $10 million charge related to Maple.

Return on common shareholders' equity excluding specified items was 18.3% for the quarter ended January 31, 2020 compared to 17.2% in the first quarter of 2019.

Total Revenues

For the first quarter of 2020, the Bank's total revenues amounted to $1,923 million, rising $124 million or 7% year over year. The Personal and Commercial segment's total revenues were up 3% owing to growth in loan and deposit volumes. The Wealth Management segment's total revenues were up 7% owing mainly to an increase in fee-based revenues. In the Financial Markets segment, total revenues on taxable equivalent basis rose 12% owing to an increase in global markets revenues. And in the U.S. Specialty Finance & International (USSF&I) segment, total revenues grew 14%, essentially due to revenue growth at the ABA Bank subsidiary. The Bank's total revenues on a taxable equivalent basis amounted to $2,010 million in the first quarter of 2020, up 8% from $1,862 million in the first quarter of 2019.

Non-Interest Expenses

First-quarter non-interest expenses stood at $1,091 million, a 6% year-over-year increase due mainly to an increase in compensation and employee benefits, in particular the variable compensation associated with the revenue growth experienced across all business segments. In addition, the other expenses item included a $13 million charge related to Maple in the first quarter of 2020. Non-interest expenses excluding specified items stood at $1,078 million for the quarter ended January 31, 2020, up 5% from $1,026 million in the same quarter of 2019.

Provisions for Credit Losses

For the first quarter of 2020, the Bank recorded $89 million in provisions for credit losses compared to $88 million in the same quarter of 2019. This slight change came from an increase in provisions for credit losses recorded for personal and commercial loans, for credit card receivables, and for Financial Markets segment loans, tempered by a decrease in provisions for credit losses on USSF&I segment loans, essentially related to the Credigy subsidiary.

Income Taxes

For the first quarter of 2020, income taxes stood at $133 million, unchanged from the same quarter of 2019. The effective income tax rate was 18% in the first quarter of 2020 versus 19% in the same quarter of 2019. This change in effective tax rate was mainly the result of a year-over-year increase in tax-exempt dividend income.

Results by Segment

The Bank carries out its activities in four business segments: Personal and Commercial, Wealth Management, Financial Markets, and U.S. Specialty Finance and International. For presentation purposes, other operating activities, certain non-recurring items and 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				
	2020		2019[1]		% Change
Operating results					
Net interest income	**611**		589		4
Non-interest income	**269**		262		3
Total revenues	**880**		851		3
Non-interest expenses	**468**		463		1
Contribution	**412**		388		6
Provisions for credit losses	**70**		58		21
Income before income taxes	**342**		330		4
Income taxes	**91**		88		3
Net income	**251**		242		4
Net interest margin[2]	**2.21**	**%**	2.22	%	
Average interest-bearing assets	**110,021**		105,389		4
Average assets	**115,946**		111,145		4
Average loans and acceptances	**115,445**		110,589		4
Net impaired loans[3]	**375**		347		8
Net impaired loans[3] as a % of average loans and acceptances	**0.3**	**%**	0.3	%	
Average deposits	**64,388**		61,108		5
Efficiency ratio	**53.2**	**%**	54.4	%	

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.
(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 $251 million in the first quarter of 2020, up 4% from $242 million in the first quarter of 2019. The segment's total revenues grew $29 million, or 3%, mainly due to a $22 million increase in net interest income driven by growth in personal and commercial loan and deposit volumes. The higher net interest income was tempered by a slight narrowing of the net interest margin, which was 2.21% in the first quarter of 2020 versus 2.22% in the first quarter of 2019, with the decrease coming mainly from deposit margins.

Personal Banking's first-quarter total revenues rose $20 million year over year. This growth was mainly driven by higher net interest income attributable to growth in loan and deposit volumes. As for Commercial Banking's first-quarter total revenues, they rose $9 million year over year, also owing to an increase in net interest income as well as to an increase in revenues from advisory fees.

The segment's first-quarter non-interest expenses stood at $468 million, a $5 million or 1% year-over-year increase attributable to higher technology development costs and operations support charges. At 53.2%, its first-quarter efficiency ratio improved by 1.2 percentage points from first-quarter 2019. The segment recorded $70 million in provisions for credit losses in the first quarter of 2020, a $12 million year-over-year increase arising from higher provisions on non-impaired Personal Banking loans as well as from higher provisions on credit card receivables and on impaired Commercial Banking loans.

Wealth Management

(millions of Canadian dollars)	Quarter ended January 31		
	2020	2019[1]	% Change
Operating results			
Net interest income	119	124	(4)
Fee-based revenues	273	242	13
Transaction-based and other revenues	73	68	7
Total revenues	465	434	7
Non-interest expenses	282	267	6
Contribution	183	167	10
Provisions for credit losses	–	–	
Income before income taxes	183	167	10
Income taxes	48	44	9
Net income	135	123	10
Average assets	5,943	6,492	(8)
Average loans and acceptances	4,766	4,911	(3)
Net impaired loans[2]	3	3	–
Average deposits	32,430	33,129	(2)
Assets under administration and under management	606,804	510,036	19
Efficiency ratio	60.6 %	61.5 %	

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.
(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 $135 million for the first quarter of 2020, a 10% increase from $123 million in the same quarter of 2019. The segment's first-quarter total revenues amounted to $465 million, up $31 million or 7% from $434 million in the first quarter of 2019. This revenue increase was driven mainly by higher fee-based revenues, which rose 13% owing to growth in assets under administration and under management resulting from stock market growth and net inflows into various solutions. Furthermore, transaction-based and other revenues were up $5 million year over year. As for first-quarter net interest income, it was down year over year as a result of smaller deposit margins.

At $282 million, the segment's non-interest expenses increased 6% year over year, mainly due to higher variable compensation related to an increase in the segment's revenues. At 60.6%, its first-quarter efficiency ratio improved by 0.9 percentage points from first-quarter 2019. The segment's provisions for credit losses were nil in both the first quarters of 2020 and 2019.

Financial Markets

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

	Quarter ended January 31		
	2020	2019(2)	% Change
Operating results			
Global markets			
Equities	174	137	27
Fixed-income	85	65	31
Commodities and foreign exchange	30	48	(38)
	289	250	16
Corporate and investment banking	169	160	6
Total revenues on a taxable equivalent basis	458	410	12
Non-interest expenses	199	178	12
Contribution on a taxable equivalent basis	259	232	12
Provisions for credit losses	9	3	
Income before income taxes on a taxable equivalent basis	250	229	9
Income taxes on a taxable equivalent basis	66	61	8
Net income	184	168	10
Average assets	120,371	104,545	15
Average loans and acceptances	17,025	16,230	5
Net impaired loans(3)	40	7	
Average deposits	39,566	27,385	44
Efficiency ratio on a taxable equivalent basis(1)	43.4 %	43.4 %	

(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, 2019, 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, net income totalled $184 million in the first quarter of 2020, up 10% from $168 million in the first quarter of 2019, and first-quarter total revenues on a taxable equivalent basis amounted to $458 million, up 12% from $410 million in the first quarter of 2019. First-quarter global markets revenues grew 16% year over year, as revenues from equity securities and from fixed-income securities were up 27% and 31%, respectively, whereas revenues from commodities and foreign exchange activities were down. The segment's first-quarter revenues from corporate and investment banking services were up 6% year over year, as higher revenues from merger and acquisition activity and capital markets activity were tempered somewhat by lower revenues from banking services.

In the first quarter of 2020, the segment's non-interest expenses stood at $199 million, a 12% year-over-year increase that was mainly due to higher variable compensation resulting from revenue growth in the first quarter of 2020 as well as to higher transaction costs associated with business growth. The segment's first-quarter efficiency ratio on a taxable equivalent basis stood at 43.4%, stable compared to the same quarter in 2019. The segment recorded $9 million in provisions for credit losses in the first quarter of 2020 compared to $3 million in the first quarter of 2019, an increase arising from higher provisions on impaired loans.

U.S. Specialty Finance and International (USSF&I)

(millions of Canadian dollars)	Quarter ended January 31		
	2020	2019	% Change
Total revenues			
Credigy	98	105	(7)
ABA Bank	95	65	46
International	2	1	
	195	171	14
Non-interest expenses			
Credigy	36	36	–
ABA Bank	41	31	32
International	1	1	
	78	68	15
Contribution	117	103	14
Provisions for credit losses			
Credigy	7	23	(70)
ABA Bank	3	4	(25)
	10	27	(63)
Income before income taxes	107	76	41
Income taxes	22	16	38
Net income	85	60	42
Non-controlling interests	9	10	(10)
Net income attributable to the Bank's shareholders	76	50	52
Average assets	12,494	10,448	20
Average loans and receivables	9,880	8,808	12
Net impaired loans – Stage 3[1]	18	16	13
Purchased or originated credit-impaired (POCI) loans	1,024	1,395	(27)
Average deposits	4,373	2,758	59
Efficiency ratio	40.0 %	39.8 %	

(1) Net impaired loans – Stage 3 exclude POCI loans and are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the USSF&I segment, net income totalled $85 million in the first quarter of 2020, a 42% increase from $60 million in the same quarter of 2019.

Credigy
For the first quarter of 2020, the Credigy subsidiary's net income totalled $43 million, rising 19% from the same quarter of 2019. Credigy's first-quarter total revenues amounted to $98 million, down from $105 million in the first quarter of 2019 arising from changes in the loan portfolio mix. This decrease in total revenues was more than offset by the subsidiary's lower provisions for credit losses, which fell to $7 million in the first quarter of 2020 from $23 million in the first quarter of 2019 as a result of repayments and maturities of certain loan portfolios. At $36 million, Credigy's first-quarter non-interest expenses remained stable.

ABA Bank
For the first quarter of 2020, the ABA Bank subsidiary's net income totalled $41 million, rising 71% from the first quarter of 2019. ABA Bank's first-quarter total revenues were up 46% year over year owing to sustained growth in loan and deposit volumes, and its first-quarter non-interest expenses rose 32% year over year, mainly due to its growing banking network. The subsidiary recorded $3 million in provisions for credit losses during the first quarter of 2020, relatively stable compared to the first quarter of fiscal 2019.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended January 31	
	2020	2019[2]
Operating results		
Net interest income on a taxable equivalent basis	(44)	(50)
Non-interest income on a taxable equivalent basis	56	46
Total revenues on a taxable equivalent basis	12	(4)
Non-interest expenses	64	50
Contribution on a taxable equivalent basis	(52)	(54)
Provisions for credit losses	–	–
Income before income taxes on a taxable equivalent basis	(52)	(54)
Income taxes (recovery) on a taxable equivalent basis	(7)	(13)
Net loss	(45)	(41)
Non-controlling interests	7	6
Net loss attributable to the Bank's shareholders	(52)	(47)
Specified items after income taxes[1]	(10)	–
Net loss excluding specified items[1]	(35)	(41)
Average assets	45,516	46,796

(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, 2019, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of $45 million in the first quarter of 2020 compared to a net loss of $41 million in the same quarter of 2019. This change in net loss came mainly from an increase in non-interest expenses, essentially due to the Maple-related charge recorded during the quarter, and from a higher income tax rate arising from adjustments to the income tax provision. These items were partly offset by a higher contribution from treasury activities compared to the first quarter of 2019. The first-quarter net loss excluding specified items was $35 million compared to a $41 million net loss in the same quarter of 2019.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019	% Change
Assets			
Cash and deposits with financial institutions	12,454	13,698	(9)
Securities	92,299	82,226	12
Securities purchased under reverse repurchase agreements and securities borrowed	11,689	17,723	(34)
Loans and acceptances, net of allowances	156,151	153,251	2
Other	16,598	14,560	14
	289,191	281,458	3
Liabilities and equity			
Deposits	197,504	189,566	4
Other	75,492	75,983	(1)
Subordinated debt	774	773	–
Equity attributable to the Bank's shareholders	15,071	14,778	2
Non-controlling interests	350	358	(2)
	289,191	281,458	3

Assets

As at January 31, 2020, the Bank had total assets of $289.2 billion, a $7.7 billion or 3% increase from $281.5 billion as at October 31, 2019. Cash and deposits with financial institutions, totalling $12.5 billion as at January 31, 2020, decreased $1.2 billion or 9% since October 31, 2019, mainly due to deposits with financial institutions.

Since October 31, 2019, securities rose $10.1 billion, mainly due to an $11.4 billion or 18% increase in securities at fair value through profit or loss, in particular equity securities. Securities other than those measured at fair value through profit or loss were down $1.3 billion, while securities purchased under reverse repurchase agreements and securities borrowed decreased by $6.0 billion, mainly related to the activities of the Financial Markets segment and treasury activities.

Totalling $156.2 billion as at January 31, 2020, loans and acceptances, net of allowances, rose $2.9 billion or 2% since October 31, 2019. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019	As at January 31, 2019
Loans and acceptances			
Residential mortgage and home equity lines of credit	**81,635**	80,214	76,312
Personal	**13,707**	13,901	14,517
Credit card	**2,255**	2,322	2,249
Business and government	**59,247**	57,492	54,296
	156,844	153,929	147,374
Allowances for credit losses	**(693)**	(678)	(664)
	156,151	153,251	146,710

Residential mortgages (including home equity lines of credit) were up $1.4 billion or 2% compared to October 31, 2019 due to sustained demand for mortgage credit as well as to business growth at the ABA Bank subsidiary. Personal loans as well as credit card receivables have been relatively stable since October 31, 2019. Loans and acceptances to business and government were up $1.8 billion or 3% since October 31, 2019 owing to growth in corporate financial services activities and to growth at the Credigy subsidiary.

When compared to January 31, 2019, loans and acceptances grew $9.5 billion or 6%, while residential mortgages (including home equity lines of credit) were up $5.3 billion or 7% 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 6%, a decrease related in part to the Credigy subsidiary following repayments and maturities of certain loan portfolios. As for credit card receivables, they remained stable when compared to January 31, 2019. Loans and acceptances to business and government grew $4.9 billion or 9% from a year ago, driven by Commercial Banking activities and Credigy activities.

Impaired loans include loans classified in Stage 3 of the expected credit loss model and the purchased or originated credit-impaired (POCI) loans of the Credigy subsidiary. As at January 31, 2020, gross impaired loans excluding POCI loans stood at $677 million compared to $684 million as at October 31, 2019. Net impaired loans excluding POCI loans stood at $436 million as at January 31, 2020 compared to $450 million as at October 31, 2019, a $14 million decrease related mainly to the net impaired loans of the business loan portfolios, tempered somewhat by an increase in the net impaired loans of the Financial Markets segment's loan portfolios. Gross POCI loans stood at $1,024 million as at January 31, 2020, whereas they had stood at $1,166 million as at October 31, 2019 as a result of repayments and maturities of certain loan portfolios.

Liabilities

As at January 31, 2020, the Bank had total liabilities of $273.8 billion compared to $266.3 billion as at October 31, 2019.

The Bank's total deposit liability stood at $197.5 billion as at January 31, 2020 compared to $189.6 billion as at October 31, 2019, a $7.9 billion increase arising mainly from growth in business and government deposits.

As at January 31, 2020, personal deposits stood at $61.4 billion, rising $1.3 billion since October 31, 2019, essentially due to the Bank's initiatives to increase this type of deposit as well as to growth at the ABA Bank subsidiary.

Business and government deposits totalled $130.9 billion as at January 31, 2020, rising $5.6 billion from October 31, 2019. This increase came from treasury funding activities, including $2.8 billion in deposits subject to bank recapitalization (bail-in).

At $5.2 billion as at January 31, 2020, deposits from deposit-taking institutions rose $1.0 billion since October 31, 2019, an increase that came from treasury funding activities and Commercial Banking activities.

Other liabilities stood at $75.5 billion as at January 31, 2020, relatively stable compared to October 31, 2019.

Equity

As at January 31, 2020, equity attributable to the Bank's shareholders was $15.1 billion, rising $0.3 billion from October 31, 2019. This increase came essentially from net income net of dividends and from issuances of common shares under the Stock Option Plan. These increases were partly offset by remeasurements of pension plans and other post-employment benefit plans as well as by the net change in gains (losses) on cash flow hedges.

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. 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, 2020, total commitments for this type of loan stood at $3,786 million ($3,559 million as at October 31, 2019). Details about other exposures are provided in the table on structured entities in Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2019. For additional information, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2019.

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 48 and 49 of the *2019 Annual Report*.

For additional information on guarantees, commitments and structured entities, see Notes 26 and 27 to the audited annual consolidated financial statements for the year ended October 31, 2019. For additional information about financial assets transferred but not derecognized, see Note 8 to these consolidated financial statements.

Contingent Liabilities

Maple Financial Group Inc.
The Bank has a 24.9% equity interest in Maple Financial Group Inc. (Maple), a privately owned Canadian company that operated through direct and indirect wholly owned subsidiaries in Canada, Germany, the United Kingdom and the United States.

Maple Bank GmbH (Maple GmbH), an indirect wholly owned subsidiary of Maple, has been the subject of an investigation into alleged tax irregularities by German prosecutors since September 2015, and the investigation was focusing on selected trading activities by Maple GmbH and some of its former employees, primarily during taxation years 2006 to 2010. The German authorities have alleged that these trading activities, often referred to as "cum/ex trading," violated German tax laws. Neither the Bank nor its employees were involved in these trading activities and, to the Bank's knowledge, are not the subject of this investigation. At that time, the Bank announced that if it were determined that portions of the dividends it received from Maple could be reasonably attributed to tax fraud by Maple GmbH, arrangements would be made to repay those amounts to the relevant authority.

On February 6, 2016, the German Federal Financial Supervisory Authority, BaFin, placed a moratorium on the business activities of Maple GmbH preventing it from carrying out its normal business activities. In August 2016, Maple filed for bankruptcy under applicable Canadian laws, and a trustee was appointed to administer the company. Similar proceedings were initiated for each of Maple's other material subsidiaries in their home jurisdictions. In light of the situation, the Bank wrote off the carrying value of its equity interest in Maple in an amount of $164 million ($145 million net of income taxes) during the first quarter of 2016. The $164 million write-off of the equity interest in this associate was recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income for the year ended October 31, 2016 and was reported in the Financial Markets segment.

While there has not yet been a determination of tax fraud on the part of Maple GmbH or its employees, in the insolvency proceedings of Maple GmbH the German finance office issued a declaration about the result of the tax audit at Maple GmbH and about the relevant tax consequences of the cum/ex trading and concluded a final tax claim of the tax authorities against the insolvency administrator. This claim was approved by the Maple GmbH creditor assembly.

The Bank has been in contact with the German prosecutors, who have confirmed that, in their view based upon the evidence they have considered since the occurrence of the insolvency, the Bank was not involved in any respect with the alleged tax fraud undertaken by Maple GmbH nor was it negligent in failing to identify that alleged fraud. Further to discussions between the Bank and the German prosecutors concerning the amounts deemed attributable to the alleged tax fraud, the Bank paid 7.7 million euros to the German tax authorities on November 19, 2019. As at October 31, 2019, an $11 million provision was recorded to reflect this adjusting event after the Consolidated Balance Sheet date.

In December 2019, the Bank, together with the other principal Maple shareholders, reached an agreement with the bankruptcy and insolvency administrator of Maple GmbH to settle any potential claims that might be asserted against them by or on behalf of Maple GmbH. In connection with the settlement, the Bank agreed to pay 8.7 million euros for the benefit of Maple GmbH's creditors and recorded a $13 million charge in the *Non-interest expenses – Other* item presented in the *Other* heading of segment results. The legal process to finalize the agreement is under way and is expected to be completed by March 31, 2020. Upon the finalization of the agreement, the Bank expects that all material liabilities associated with its ownership of Maple will have been resolved.

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 activities and 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 50 to 57 of the Bank's *2019 Annual Report*.

Basel Accord

The Bank and all other major Canadian banks have to maintain minimum capital ratios established by OSFI: a CET1 capital ratio of at least 10.0%, a Tier 1 capital ratio of at least 11.5%, and a Total capital ratio of at least 13.5%. All of these ratios are to include a capital conservation buffer of 2.5% established by the Basel Committee on Banking Supervision (BCBS) and OSFI as well as a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs) and a 2.0% domestic stability buffer established by OSFI. The domestic stability buffer, which can vary from 0% to 2.5% of risk-weighted assets, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. The banks also have to meet the 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. OSFI requires Canadian banks to meet a Basel III leverage ratio of at least 3.0%. The leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure.

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 clause.

OSFI's *Total Loss Absorbing Capacity* (TLAC) guideline, which applies to all D-SIBs under the federal government's bail-in regulations, came into effect on September 23, 2018. The purpose of the TLAC guideline is to ensure that a D-SIB has sufficient loss-absorbing capacity to support its recapitalization in the unlikely event it becomes non-viable. OSFI is requiring D-SIBs to maintain a minimum risk-based TLAC ratio of 23.50% (including the domestic stability buffer) of risk-weighted assets and a minimum TLAC leverage ratio of 6.75% by November 1, 2021. During the fiscal year ended October 31, 2019, the Bank started to issue qualifying bail-in debt and expects its TLAC ratios to improve through the normal refinancing of its maturing unsecured term debt. The Bank does not anticipate any challenges in meeting these TLAC requirements.

Requirements – Regulatory Ratios Under Basel III

							As at January 31, 2020
	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 %	2.0 %	10.0 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	9.5 %	2.0 %	11.5 %
Total	8.0 %	2.5 %	10.5 %	1.0 %	11.5 %	2.0 %	13.5 %
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 10, 2019, OSFI raised the buffer level such that it will be 2.25% starting April 30, 2020.

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, 2019, which is still the current context, see page 53 of the Capital Management section in the *2019 Annual Report.* Since November 1, 2019, the below-described regulatory developments should also be considered.

On November 14, 2019, the BCBS issued a consultative document entitled *Revisions to Market Risk Disclosure Requirements*. This document sets out adjustments to the Pillar 3 templates for the revised market risk framework, i.e., adjustments made to reflect the changes made to the final version of *Revisions to the Minimum Capital Requirements for Market Risk* published in January 2019.

On November 14, 2019, the BCBS issued *Voluntary Disclosure of Sovereign Exposures*, a consultative document seeking views on three potential disclosure templates. The document would require banks to disclose their sovereign exposures and risk-weighed assets according to jurisdiction, currency, and accounting classification. Implementation is mandatory for banks only when so required by the national authority in its territory.

On November 28, 2019, the BCBS issued a consultative document entitled *Credit Valuation Adjustment Risk: Targeted Final Revisions.* This document proposes a set of targeted adjustments to the CVA risk framework issued in December 2017. The adjustments are designed to align the revised CVA risk framework with the standards set out in *Minimum Capital Requirements for Market Risk* and in *Capital Requirements for Bank Exposures to Central Counterparties*.

Management Activities

On June 10, 2019, the Bank began a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period ending no later than June 9, 2020. During the year ended October 31, 2019, the Bank had repurchased 2,200,000 common shares under this program. During the quarter ended January 31, 2020, the Bank did not repurchase any common shares.

Shares and Stock Options

	As at January 31, 2020	
	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	**335,817,955**	**3,028**
Stock options	**12,212,108**	

As at February 21, 2020, there were 335,857,519 common shares and 12,122,435 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 million Bank common shares, which would have a 68.3% dilutive effect based on the number of Bank common shares outstanding as at January 31, 2020.

Movement in Regulatory Capital

(millions of Canadian dollars)	Quarter ended January 31, 2020
Common Equity Tier 1 (CET1) capital	
Balance at beginning	9,692
Issuance of common shares (including Stock Option Plan)	70
Impact of shares purchased or sold for trading	–
Repurchase of common shares	–
Other contributed surplus	2
Dividends on preferred and common shares	(267)
Net income attributable to the Bank's shareholders	594
Removal of own credit spread (net of income taxes)	32
Other	(83)
Movements in accumulated other comprehensive income	
Translation adjustments	6
Debt securities at fair value through other comprehensive income	12
Other	–
Change in goodwill and intangible assets (net of related tax liability)	(13)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	1
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments[1]	–
Balance at end	10,046
Additional Tier 1 capital	
Balance at beginning	2,800
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	2,800
Total Tier 1 capital	12,846
Tier 2 capital	
Balance at beginning	874
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	16
Other, including regulatory adjustments and transitional arrangements	19
Balance at end	909
Total regulatory capital	13,755

(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 $86.2 billion as at January 31, 2020 compared to $83.0 billion as at October 31, 2019, a $3.2 billion increase resulting mainly from organic growth in RWA and from changes to the calculation method resulting from regulatory changes, in particular the expiry of transitional arrangements for specific wrong-way risk and for the revised securitization framework, as well as the adoption of IFRS 16. The changes in the Bank's risk-weighted assets by risk type are presented in the following table.

Risk-Weighted Assets Movements by Key Drivers

(millions of Canadian dollars)				Quarter ended
			January 31, 2020	October 31, 2019
	Non-counterparty credit risk	Counterparty credit risk	Total	Total
Credit risk – Risk-weighted assets at beginning	61,254	6,000	67,254	65,693
Book size	1,349	301	1,650	1,979
Book quality	(41)	(36)	(77)	11
Model updates	(17)	–	(17)	(46)
Methodology and policy	823	423	1,246	(362)
Acquisitions and disposals	–	–	–	–
Foreign exchange movements	72	17	89	(21)
Credit risk – Risk-weighted assets at end	63,440	6,705	70,145	67,254
Market risk – Risk-weighted assets at beginning			4,276	3,972
Movement in risk levels(1)			121	304
Model updates			–	–
Methodology and policy			–	–
Acquisitions and disposals			–	–
Market risk – Risk-weighted assets at end			4,397	4,276
Operational risk – Risk-weighted assets at beginning			11,509	11,319
Movement in risk levels			155	190
Acquisitions and disposals			–	–
Operational risk – Risk-weighted assets at end			11,664	11,509
Risk-weighted assets at end			86,206	83,039

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

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

The *Book size* item reflects organic changes in book 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.

The *Methodology and policy* item presents the impact of changes in calculation methods resulting from changes in regulatory policies as a result, for example, of new regulations. During the quarter ended January 31, 2020, the transitional arrangements for specific wrong-way risk and for the revised securitization framework expired. On November 1, 2019, the Bank had also adopted IFRS 16 and recognized right-of-use assets.

Regulatory Capital Ratios

As at January 31, 2020, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.7%, 14.9% and 16.0%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.7%, 15.0% and 16.1% as at October 31, 2019. The CET1 capital ratio remained stable. Net income net of dividends, and common share issuances under the Stock Option Plan offset the expiry of transitional arrangements for specific wrong-way risk and for the revised securitization framework, the adoption of IFRS 16, growth in risk-weighted assets, and remeasurements of pension plans and other post-employment benefit plans. The slight decreases in the Tier 1 capital ratio and the Total capital ratio were essentially due to the same factors. As at January 31, 2020, the leverage ratio was 4.0%, stable compared to October 31, 2019. The growth in Tier 1 capital was offset by growth in total leverage exposure.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019
Capital		
CET1	10,046	9,692
Tier 1	12,846	12,492
Total	13,755	13,366
Risk-weighted assets	86,206	83,039
Total exposure	319,709	308,902
Capital ratios		
CET1	11.7 %	11.7 %
Tier 1	14.9 %	15.0 %
Total	16.0 %	16.1 %
Leverage ratio	4.0 %	4.0 %

Dividends

On February 26, 2020, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 71 cents per common share, payable on May 1, 2020 to shareholders of record on March 30, 2020.

Risk Management

Risk-taking is intrinsic to a financial institution's business. The Bank views risk as an integral part of its development and the diversification of its activities. It advocates a risk management approach consistent with its business strategy. The Bank voluntarily exposes itself to certain risk categories, particularly credit and market risk, in order to generate revenue. It assumes certain risks that are inherent to its activities—to which it does not choose to expose itself—and that do not generate revenue, i.e., mainly operational risks. The purpose of sound and effective risk management is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds, to control the volatility in the Bank's results, and to ensure that risk-taking contributes to the creation of shareholder value. The Bank's governance structure for risk management has remained largely unchanged from that described in the *2019 Annual Report.*

Despite the exercise of stringent risk management and the mitigation measures in place, risk cannot be suppressed entirely, and residual risks may occasionally cause significant losses. Certain risks are discussed hereafter. For additional information, see the Risk Management section on pages 58 to 94 of the *2019 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 debtors, 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, 2020	As at October 31, 2019
	Drawn	Undrawn commitments	Repo-style transactions(1)	Derivative financial instruments	Other off-balance-sheet items(2)	Total	Total
Retail							
Residential mortgages	51,590	8,975	–	–	–	60,565	59,140
Qualifying revolving retail	2,425	2,888	–	–	–	5,313	5,586
Other retail	14,079	1,839	–	–	20	15,938	16,189
	68,094	13,702	–	–	20	81,816	80,915
Non-retail							
Corporate	57,715	21,337	25,312	–	4,403	108,767	102,157
Sovereign	39,313	5,401	41,870	170	130	86,884	82,419
Financial institutions	4,734	425	101,465	1,848	559	109,031	105,643
	101,762	27,163	168,647	2,018	5,092	304,682	290,219
Trading portfolio	–	–	–	14,033	–	14,033	12,015
Securitization	1,901	–	–	–	3,136	5,037	4,764
Total – Gross credit risk	171,757	40,865	168,647	16,051	8,248	405,568	387,913
Standardized Approach	19,051	471	25,460	1,833	260	47,075	48,408
AIRB Approach	152,706	40,394	143,187	14,218	7,988	358,493	339,505
Total – Gross credit risk	171,757	40,865	168,647	16,051	8,248	405,568	387,913

(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.

To meet OSFI's mortgage loan disclosure requirements, additional information has been provided in *Supplementary Financial Information – First Quarter 2020* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – First Quarter 2020,* which are available on the Bank's website at nbc.ca.

Market Risk

Market risk is the risk of losses arising from movements in market prices. The Bank is exposed to market risk through its participation in trading, investment 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, 2020
		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	12,454	344	11,886	224	Interest rate[(3)]
Securities					
At fair value through profit or loss	73,151	69,549	3,602	–	Interest rate[(3)] and equity
At fair value through other comprehensive income	9,488	–	9,488	–	Interest rate[(3)] and equity[(4)]
At amortized cost	9,660	–	9,660	–	Interest rate[(3)]
Securities purchased under reverse repurchase agreements and securities borrowed	11,689	–	11,689	–	Interest rate[(3)(5)]
Loans and acceptances, net of allowances	156,151	6,341	149,810	–	Interest rate[(3)]
Derivative financial instruments	8,965	7,948	1,017	–	Interest rate and exchange rate
Defined benefit asset	29	–	29	–	Other
Other	7,604	–	–	7,604	
	289,191	84,182	197,181	7,828	
Liabilities					
Deposits	197,504	9,924	187,580	–	Interest rate[(3)]
Acceptances	6,871	–	6,871	–	Interest rate[(3)]
Obligations related to securities sold short	12,263	12,263	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	22,054	–	22,054	–	Interest rate[(3)(5)]
Derivative financial instruments	6,982	6,137	845	–	Interest rate and exchange rate
Liabilities related to transferred receivables	20,824	4,702	16,122	–	Interest rate[(3)]
Defined benefit liability	456	–	456	–	Other
Other	6,042	–	911	5,131	Interest rate[(3)]
Subordinated debt	774	–	774	–	Interest rate[(3)]
	273,770	33,026	235,613	5,131	

(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 section of the *2019 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 section of the *2019 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 trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.

(millions of Canadian dollars) As at October 31, 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	13,698	579	12,609	510	Interest rate[3]
Securities					
At fair value through profit or loss	61,823	58,170	3,653	–	Interest rate[3] and equity[4]
At fair value through other comprehensive income	10,648	–	10,648	–	Interest rate[3] and equity[5]
Amortized cost	9,755	–	9,755	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	17,723	–	17,723	–	Interest rate[3][6]
Loans and acceptances, net of allowances	153,251	6,060	147,191	–	Interest rate[3]
Derivative financial instruments	8,129	7,134	995	–	Interest rate[7] and exchange rate[7]
Defined benefit asset	38	–	38	–	Other[8]
Other	6,393	–	–	6,393	
	281,458	71,943	202,612	6,903	
Liabilities					
Deposits	189,566	9,869	179,697	–	Interest rate[3]
Acceptances	6,893	–	6,893	–	Interest rate[3]
Obligations related to securities sold short	12,849	12,849	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	21,900	–	21,900	–	Interest rate[3][6]
Derivative financial instruments	6,852	6,123	729	–	Interest rate[7] and exchange rate[7]
Liabilities related to transferred receivables	21,312	5,165	16,147	–	Interest rate[3]
Defined benefit liability	374	–	374	–	Other[8]
Other	5,803	24	911	4,868	Interest rate[3]
Subordinated debt	773	–	773	–	Interest rate[3]
	266,322	34,030	227,424	4,868	

(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 section of the *2019 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 section of the *2019 Annual Report*.
(4) For additional information, see Note 6 to the audited annual consolidated financial statements for the fiscal year ended October 31, 2019.
(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 16 and 17 to the audited annual consolidated financial statements for the year ended October 31, 2019.
(8) For additional information, see Note 23 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Trading Activities

The first table below shows the VaR of trading portfolios by risk category as well as their correlation effect. The second table on the next page shows the SVaR, 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, 2020				October 31, 2019		January 31, 2019	
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end
Interest rate	**(4.0)**	**(6.0)**	**(4.9)**	**(4.5)**	(5.0)	(4.4)	(5.7)	(5.4)
Exchange rate	**(0.4)**	**(1.4)**	**(0.8)**	**(0.7)**	(1.0)	(1.3)	(0.9)	(0.9)
Equity	**(2.7)**	**(4.5)**	**(3.4)**	**(4.0)**	(3.4)	(3.8)	(4.5)	(3.6)
Commodity	**(0.6)**	**(1.7)**	**(1.1)**	**(0.8)**	(1.0)	(1.2)	(1.2)	(1.3)
Correlation effect[2]	**n.m.**	**n.m.**	**4.6**	**5.1**	4.2	4.4	5.9	5.8
Total trading VaR	**(4.6)**	**(7.1)**	**(5.6)**	**(4.9)**	(6.2)	(6.3)	(6.4)	(5.4)

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, 2020				October 31, 2019		January 31, 2019	
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end
Interest rate	**(11.2)**	**(20.1)**	**(14.7)**	**(11.2)**	(18.9)	(15.1)	(14.4)	(14.2)
Exchange rate	**(0.5)**	**(3.2)**	**(1.4)**	**(0.7)**	(1.6)	(2.0)	(1.5)	(1.2)
Equity	**(4.8)**	**(13.2)**	**(8.7)**	**(7.7)**	(8.3)	(8.9)	(8.3)	(7.0)
Commodity	**(1.6)**	**(2.7)**	**(2.1)**	**(2.3)**	(2.1)	(2.7)	(2.3)	(1.5)
Correlation effect[2]	**n.m.**	**n.m.**	**10.5**	**10.4**	15.9	13.4	14.6	11.2
Total trading SVaR	**(11.5)**	**(23.9)**	**(16.4)**	**(11.5)**	(15.0)	(15.3)	(11.9)	(12.7)

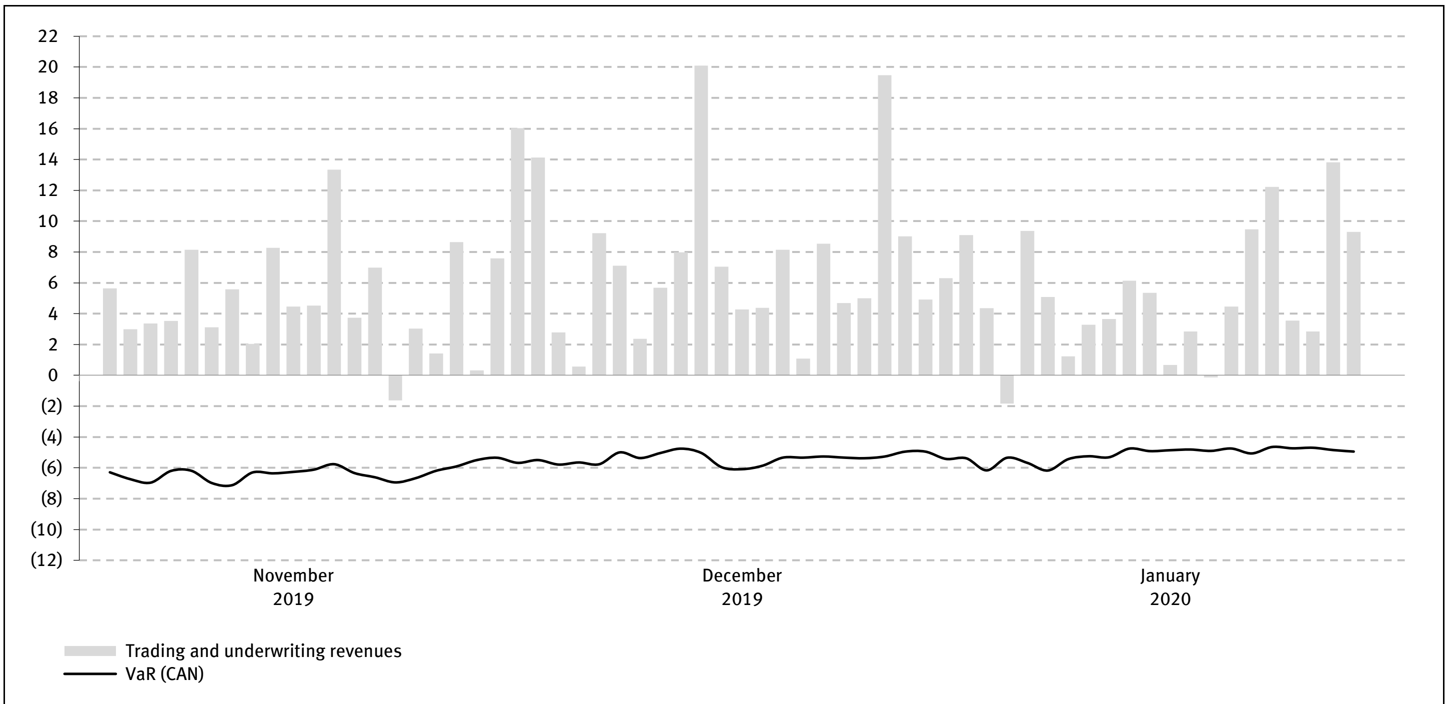
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR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

The average trading VaR decreased from $6.2 million to $5.6 million between the fourth quarter of 2019 and the first quarter of 2020, mainly as a result of tail scenarios moving out the two-year VaR history window. For the first quarter of 2020, the average trading SVaR increased from $15.0 million to $16.4 million, mainly due to a reduction to the correlation benefit resulting from a lower interest rate exposure.

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 95% of the days for the quarter ended January 31, 2020. Two trading days were marked by daily trading and underwriting net losses of more than $1 million. None of the 2020 first-quarter losses exceeded the VaR.

Quarter Ended January 31, 2020
(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 the net interest income of the Bank's non-trading portfolios for the next 12 months, assuming no further hedging is undertaken.

(millions of Canadian dollars)		As at January 31, 2020			As at October 31, 2019	
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
Impact on equity						
100-basis-point increase in the interest rate	(188)	(5)	(193)	(178)	40	(138)
100-basis-point decrease in the interest rate	182	5	187	199	(4)	195
Impact on net interest income						
100-basis-point increase in the interest rate	(50)	(16)	(66)	(26)	42	16
100-basis-point decrease in the interest rate	68	16	84	73	(4)	69

Liquidity and Funding Risk

Liquidity and funding risk are the risks that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity and funding 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 from the characteristics of certain products such as credit commitments and non-fixed-term deposits.

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 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.

Regulatory Developments
The Bank closely monitors regulatory developments and participates actively in various consultative processes. For additional information on the regulatory context as at October 31, 2019, which is still the current context, see page 82 of the Risk Management section in the *2019 Annual Report.* Since November 1, 2019, the below-described regulatory development should also be considered.

On December 5, 2019, OSFI published the final version of guideline *B-6 – Liquidity Principles*. The previous version was last updated in 2012, and the changes aim to ensure that the guideline remains current, relevant, and appropriate to the scale and complexity of institutions. The implementation date is January 1, 2020.

Liquidity Management
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. 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, 2020	As at October 31, 2019
	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	12,454	–	12,454	4,062	8,392	9,596
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	26,279	18,203	44,482	23,726	20,756	23,455
Issued or guaranteed by Canadian provincial and municipal governments	9,624	5,119	14,743	9,395	5,348	6,145
Other debt securities	5,329	2,192	7,521	2,114	5,407	5,581
Equity securities	51,067	29,819	80,886	46,312	34,574	26,968
Loans						
Securities backed by insured residential mortgages	7,851	–	7,851	4,110	3,741	2,926
As at January 31, 2020	112,604	55,333	167,937	89,719	78,218	
As at October 31, 2019	103,346	55,310	158,656	83,985		74,671

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019
Unencumbered liquid assets by entity		
National Bank (parent)	24,448	30,380
Domestic subsidiaries	14,932	14,815
Foreign subsidiaries and branches	38,838	29,476
	78,218	74,671

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019
Unencumbered liquid assets by currency		
Canadian dollar	32,465	39,172
U.S. dollar	22,684	19,356
Other currencies	23,069	16,143
	78,218	74,671

Liquid Asset Portfolio – Average[4]

(millions of Canadian dollars)						Quarter ended
					January 31, 2020	October 31, 2019
	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	12,293	–	12,293	3,892	8,401	7,852
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	29,128	18,390	47,518	26,074	21,444	23,542
Issued or guaranteed by Canadian provincial and municipal governments	9,800	6,324	16,124	11,567	4,557	4,923
Other debt securities	6,169	2,218	8,387	2,354	6,033	5,074
Equity securities	50,501	31,183	81,684	46,971	34,713	30,636
Loans						
Securities backed by insured residential mortgages	7,782	–	7,782	4,289	3,493	2,967
	115,673	58,115	173,788	95,147	78,641	74,994

(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, 2020
		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	**162**	**3,900**	**8,392**	**–**	**12,454**	**1.4**
Securities	**26,214**	**–**	**66,085**	**–**	**92,299**	**9.1**
Securities purchased under reverse repurchase agreements and securities borrowed	**–**	**11,689**	**–**	**–**	**11,689**	**4.0**
Loans and acceptances, net of allowances	**31,339**	**–**	**3,741**	**121,071**	**156,151**	**10.8**
Derivative financial instruments	**–**	**–**	**–**	**8,965**	**8,965**	**–**
Investments in associates and joint ventures	**–**	**–**	**–**	**387**	**387**	**–**
Premises and equipment	**–**	**–**	**–**	**1,155**	**1,155**	**–**
Goodwill	**–**	**–**	**–**	**1,413**	**1,413**	**–**
Intangible assets	**–**	**–**	**–**	**1,420**	**1,420**	**–**
Other assets	**–**	**–**	**–**	**3,258**	**3,258**	**–**
	57,715	**15,589**	**78,218**	**137,669**	**289,191**	**25.3**

(millions of Canadian dollars)						As at October 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	143	3,959	9,596	–	13,698	1.4
Securities	24,950	–	57,276	–	82,226	8.9
Securities purchased under reverse repurchase agreements and securities borrowed	–	12,850	4,873	–	17,723	4.6
Loans and acceptances, net of allowances	31,835	–	2,926	118,490	153,251	11.3
Derivative financial instruments	–	–	–	8,129	8,129	–
Investments in associates and joint ventures	–	–	–	385	385	–
Premises and equipment	–	–	–	490	490	–
Goodwill	–	–	–	1,412	1,412	–
Intangible assets	–	–	–	1,406	1,406	–
Other assets	–	–	–	2,738	2,738	–
	56,928	16,809	74,671	133,050	281,458	26.2

(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 (e.g., 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 that banks could 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, 2020, the Bank's average LCR was 144%, 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, 2020	October 31, 2019
	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.	46,222	45,891
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	45,498	3,397	3,039
3 Stable deposits	20,074	602	581
4 Less stable deposits	25,424	2,795	2,458
5 Unsecured wholesale funding, of which:	54,290	43,522	42,479
6 Operational deposits (all counterparties)	11,790	3,281	3,143
7 Non-operational deposits (all counterparties)	37,693	32,254	29,965
8 Unsecured debt	4,807	7,987	9,371
9 Secured wholesale funding	n.a.	16,446	15,952
10 Additional requirements, of which:	31,911	10,836	10,199
11 Outflows related to derivative exposures and other collateral requirements	8,162	5,877	5,291
12 Outflows related to loss of funding on secured debt securities	3,169	879	839
13 Backstop liquidity and credit enhancement facilities and commitments to extend credit	20,580	4,080	4,069
14 Other contractual commitments to extend credit	9,136	1,006	576
15 Other contingent commitments to extend credit	63,101	1,516	1,447
16 Total cash outflows	n.a.	76,723	73,692
Cash inflows			
17 Secured lending (e.g., reverse repos)	92,084	18,091	19,500
18 Inflows from fully performing exposures	8,584	6,151	6,455
19 Other cash inflows	14,530	20,126	16,070
20 Total cash inflows	115,198	44,368	42,025
		Total adjusted value(4)	Total adjusted value(4)
21 Total HQLA	n.a.	46,222	45,891
22 Total net cash outflows	n.a.	32,355	31,667
23 Liquidity coverage ratio (%)(5)	n.a.	144 %	146 %

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 is calculated using averages of the daily figures in the quarter.

As at January 31, 2020, Level 1 liquid assets represented 84% 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, 2020 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 is prescribed by the EDTF, the Bank's internal liquidity metrics use assumptions that are calibrated according to its business model and experience.

Funding

The Bank continuously monitors and analyzes the possibilities for accessing less expensive and more flexible funding. The deposit strategy remains a priority for the Bank, which continues to prefer deposits to institutional funding. 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, 2020
	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)	782	7	13	8	810	15	–	825
Certificates of deposit and commercial paper(3)	2,394	3,640	3,063	1,745	10,842	–	–	10,842
Senior unsecured medium-term notes(4)	–	2,101	2,997	1,645	6,743	1,801	7,331	15,875
Senior unsecured structured notes	–	–	–	255	255	–	3,491	3,746
Covered bonds and asset-backed securities								
Mortgage securitization	–	999	1,147	1,719	3,865	3,184	13,775	20,824
Covered bonds	–	–	–	357	357	3,404	5,704	9,465
Securitization of credit card receivables	–	874	–	–	874	37	–	911
Subordinated liabilities(5)	–	–	–	–	–	–	774	774
	3,176	7,621	7,220	5,729	23,746	8,441	31,075	63,262
Secured funding	–	1,873	1,147	2,076	5,096	6,625	19,479	31,200
Unsecured funding	3,176	5,748	6,073	3,653	18,650	1,816	11,596	32,062
	3,176	7,621	7,220	5,729	23,746	8,441	31,075	63,262
As at October 31, 2019	3,187	6,098	7,217	6,925	23,427	9,362	30,746	63,535

(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, 2020
	One-notch downgrade	Three-notch downgrade
Derivatives(1)	25	36

(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, 2020 with comparative figures as at October 31, 2019. 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 as well as for other contracts, mainly commitments to purchase loans and contracts for outsourced information technology services. Most of the lease commitments are related to operating leases.

(millions of Canadian dollars)									As at January 31, 2020	
	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	7,041	1,281	193	33	61	–	–	–	3,845	12,454
Securities										
At fair value through profit or loss	1,150	2,066	987	298	918	3,674	6,977	6,629	50,452	73,151
At fair value through other comprehensive income	1	41	2	–	1	2,561	4,451	1,816	615	9,488
At amortized cost	44	127	313	734	326	2,961	4,894	261	–	9,660
	1,195	2,234	1,302	1,032	1,245	9,196	16,322	8,706	51,067	92,299
Securities purchased under reverse repurchase agreements and securities borrowed	3,649	1,053	926	–	–	1,324	–	–	4,737	11,689
Loans(1)										
Residential mortgage	678	1,242	3,012	2,748	2,463	10,670	33,274	3,724	686	58,497
Personal	204	507	1,007	827	922	3,209	11,916	3,390	14,863	36,845
Credit card									2,255	2,255
Business and government	9,172	2,520	3,425	2,979	2,277	6,681	13,895	2,931	8,496	52,376
Customers' liability under acceptances	5,792	1,078	1	–	–	–	–	–	–	6,871
Allowances for credit losses									(693)	(693)
	15,846	5,347	7,445	6,554	5,662	20,560	59,085	10,045	25,607	156,151
Other										
Derivative financial instruments	849	1,142	490	216	419	754	1,986	3,109	–	8,965
Investments in associates and joint ventures									387	387
Premises and equipment									1,155	1,155
Goodwill									1,413	1,413
Intangible assets									1,420	1,420
Other assets(1)	1,382	125	95	81	212	285	127	34	917	3,258
	2,231	1,267	585	297	631	1,039	2,113	3,143	5,292	16,598
	29,962	11,182	10,451	7,916	7,599	32,119	77,520	21,894	90,548	289,191

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

(millions of Canadian dollars)									As at January 31, 2020	
	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	1,338	2,662	2,889	3,036	3,350	5,356	7,424	2,728	32,601	61,384
Business and government	22,504	8,757	7,861	3,179	3,021	5,971	12,077	6,382	61,125	130,877
Deposit-taking institutions	1,147	79	52	311	19	5	–	44	3,586	5,243
	24,989	11,498	10,802	6,526	6,390	11,332	19,501	9,154	97,312	197,504
Other										
Acceptances	5,792	1,078	1	–	–	–	–	–	–	6,871
Obligations related to securities sold short(3)	208	221	177	47	15	926	2,784	4,432	3,453	12,263
Obligations related to securities sold under repurchase agreements and securities loaned	8,729	794	3,388	2,934	–	–	–	–	6,209	22,054
Derivative financial instruments	835	627	497	265	525	604	2,147	1,482	–	6,982
Liabilities related to transferred receivables(4)	–	999	1,147	374	1,345	3,184	10,572	3,203	–	20,824
Securitization – Credit card(5)	–	874	–	–	–	37	–	–	–	911
Lease liabilities(5)	8	17	25	26	25	124	228	206	–	659
Other liabilities – Other items(1)(5)	1,679	206	137	5	149	38	77	291	2,346	4,928
	17,251	4,816	5,372	3,651	2,059	4,913	15,808	9,614	12,008	75,492
Subordinated debt	–	–	–	–	–	–	–	774	–	774
Equity									15,421	15,421
	42,240	16,314	16,174	10,177	8,449	16,245	35,309	19,542	124,741	289,191
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	173	325	1,173	869	1,926	1,050	87	–	–	5,603
Credit card receivables(6)									7,731	7,731
Backstop liquidity and credit enhancement facilities(7)	–	–	15	–	15	3,437	–	–	2,565	6,032
Commitments to extend credit(8)	2,444	3,211	5,708	4,274	4,527	5,403	9,937	713	27,402	63,619
Obligations related to:										
Lease commitments(9)	–	1	1	1	1	6	1	–	–	11
Other contracts(10)	136	349	409	600	83	110	143	–	–	1,830

(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 $3.4 billion.
(8) These amounts include $36.7 billion that is unconditionally revocable at the Bank's discretion at any time.
(9) These amounts include leases for which the underlying asset is of low value and leases other than for real estate of less than one year.
(10) These amounts include $0.3 billion in contractual commitments related to the head office building under construction.

(millions of Canadian dollars)										As at October 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	7,301	1,638	121	111	33	–	–	–	4,494	13,698
Securities										
At fair value through profit or loss	1,228	647	658	256	411	4,215	7,451	6,872	40,085	61,823
At fair value through other comprehensive income	36	14	26	5	1	3,213	4,749	1,982	622	10,648
At amortized cost	33	84	262	331	105	1,704	5,853	1,383	–	9,755
	1,297	745	946	592	517	9,132	18,053	10,237	40,707	82,226
Securities purchased under reverse repurchase agreements and securities borrowed	7,247	1,365	922	495	–	1,317	–	–	6,377	17,723
Loans(1)										
Residential mortgage	734	1,161	1,959	3,093	2,893	10,674	32,601	3,375	681	57,171
Personal	253	430	803	972	843	3,367	11,576	3,407	15,293	36,944
Credit card									2,322	2,322
Business and government	8,469	2,771	2,995	3,203	2,222	6,016	13,445	2,771	8,707	50,599
Customers' liability under acceptances	6,138	710	45	–	–	–	–	–	–	6,893
Allowances for credit losses									(678)	(678)
	15,594	5,072	5,802	7,268	5,958	20,057	57,622	9,553	26,325	153,251
Other										
Derivative financial instruments	564	614	483	262	194	847	2,039	3,126	–	8,129
Investments in associates and joint ventures									385	385
Premises and equipment									490	490
Goodwill									1,412	1,412
Intangible assets									1,406	1,406
Other assets(1)	1,425	142	87	88	88	266	107	38	497	2,738
	1,989	756	570	350	282	1,113	2,146	3,164	4,190	14,560
	33,428	9,576	8,361	8,816	6,790	31,619	77,821	22,954	82,093	281,458

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

(millions of Canadian dollars)										As at October 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	1,716	1,983	3,045	2,696	3,042	6,105	7,276	2,606	31,596	60,065
Business and government	20,252	6,050	6,630	4,778	2,723	6,411	11,706	6,213	60,503	125,266
Deposit-taking institutions	711	69	79	29	275	–	5	46	3,021	4,235
	22,679	8,102	9,754	7,503	6,040	12,516	18,987	8,865	95,120	189,566
Other										
Acceptances	6,138	710	45	–	–	–	–	–	–	6,893
Obligations related to securities sold short(3)	504	176	195	34	495	315	2,738	5,147	3,245	12,849
Obligations related to securities sold under repurchase agreements and securities loaned	7,493	1,281	2,881	2,743	–	–	–	–	7,502	21,900
Derivative financial instruments	793	763	556	292	214	712	1,959	1,563	–	6,852
Liabilities related to transferred receivables(4)	–	1,491	995	881	375	3,640	10,623	3,307	–	21,312
Securitization – Credit card(5)	–	–	874	–	–	–	37	–	–	911
Other liabilities – Other items(1)(5)	1,298	330	141	63	36	58	84	292	2,964	5,266
	16,226	4,751	5,687	4,013	1,120	4,725	15,441	10,309	13,711	75,983
Subordinated debt	–	–	–	–	–	–	–	773	–	773
Equity									15,136	15,136
	38,905	12,853	15,441	11,516	7,160	17,241	34,428	19,947	123,967	281,458
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	335	1,430	411	1,019	888	1,258	53	–	–	5,394
Credit card receivables(6)									7,630	7,630
Backstop liquidity and credit enhancement facilities(7)	–	15	3,017	15	–	–	–	–	2,608	5,655
Commitments to extend credit(8)	1,916	4,552	4,103	5,064	4,019	4,258	10,326	784	27,102	62,124
Obligations related to:										
Lease commitments	8	17	26	27	26	99	249	239	–	691
Other contracts(9)	158	289	523	423	380	198	257	–	–	2,228

(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 $3.0 billion.
(8) These amounts include $35.7 billion that is unconditionally revocable at the Bank's discretion at any time.
(9) These amounts include $0.3 billion in contractual commitments related to the head office building under construction.

Risk Disclosures

One of the purposes of the *2019 Annual Report,* the *Report to Shareholders – First Quarter 2020,* 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
		2019 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital and Pillar 3 Disclosure(1)
General				
1	Location of risk disclosures	12	35	
	Management's Discussion and Analysis	50 to 94, 107, 109 and 110	17 to 34	
	Consolidated Financial Statements	Notes 1, 7, 16, 23 and 29	Notes 7 and 13	
	Supplementary Financial Information			19 to 29(2)
	Supplementary Regulatory Capital and Pillar 3 Disclosure			5 to 48
2	Risk terminology and risk measures	58 to 94		
3	Top and emerging risks	63 to 67		
4	New key regulatory ratios	51 to 53, 80, 82 and 86	17, 18, 26, 29 and 64	
Risk governance and risk management				
5	Risk management organization, processes and key functions	58 to 76, 82 and 83		
6	Risk management culture	58 and 59		
7	Key risks by business segment, risk management and risk appetite	57 to 59 and 63		
8	Stress testing	50, 59, 71, 80, 81 and 83		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	51 to 53	17 and 18	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 13, 16 and 17
11	Movements in regulatory capital	55	19	
12	Capital planning	50 to 57		
13	RWA by business segment and by risk type	57		6
14	Capital requirements by risk and RWA calculation method	67 to 71		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	56	20	6
17	Assessment of credit risk model performance	62, 68 to 70 and 75		31
Liquidity				
18	Liquidity management and components of the liquidity buffer	82 to 87	26 to 30	
Funding				
19	Summary of encumbered and unencumbered assets	84 and 85	28	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	203 to 207	31 to 34	
21	Funding strategy and funding sources	87 to 89	30	
Market risk				
22	Linkage of market risk measures to balance sheet	77 and 78	23 and 24	
23	Market risk factors	75 to 81, 191 and 192	24 to 26	
24	VaR: Assumptions, limitations and validation procedures	78 and 79		
25	Stress tests, stressed VaR and backtesting	75 to 81		
Credit risk				
26	Credit risk exposures	74 and 151 to 163	22 and 54 to 60	18 to 39 and 19 to 27(2)
27	Policies for identifying impaired loans	72, 126 and 127		
28	Movements in impaired loans and allowances for credit losses	107, 109, 110 and 151 to 163	54 to 60	24 to 26(2)
29	Counterparty credit risk relating to derivatives transactions	72, 73 and 171 to 174		33 to 40 and 28(2) and 29(2)
30	Credit risk mitigation	70 to 72 and 148		20, 24 and 38 to 48
Other risks				
31	Other risks: Governance, measurement and management	66, 67 and 90 to 94		
32	Publicly known risk events	90	6	

(1) First quarter 2020.
(2) These pages are included in the document entitled *Supplementary Financial Information – First Quarter 2020.*

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, 2020 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, 2019, except for the changes described in Note 2 to the interim condensed consolidated financial statements, which have been applied since November 1, 2019 following the Bank's adoption of IFRS 16 – *Leases* as well as the early adoption of the amendments to IFRS 7 and IAS 39 arising from the interest rate benchmark reform.

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 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 95 to 100 of the *2019 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 16 on November 1, 2019 and the early adoption of the amendments to IFRS 7 and IAS 39 arising from the interest rate benchmark reform, 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, 2019.

Financial Disclosure

During the first quarter of 2020, 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)	2020				2019			2018	2019	2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Total	Total
Total revenues	**1,923**	1,915	1,948	1,770	1,799	1,814	1,792	1,754	7,432	7,166
Net income	**610**	604	608	558	552	566	569	547	2,322	2,232
Earnings per share ($)										
Basic	**1.69**	1.68	1.68	1.52	1.51	1.53	1.54	1.46	6.39	6.01
Diluted	**1.67**	1.67	1.66	1.51	1.50	1.52	1.52	1.44	6.34	5.94
Dividends per common share ($)	**0.71**	0.68	0.68	0.65	0.65	0.62	0.62	0.60	2.66	2.44
Return on common shareholders' equity (%)	**18.0**	18.2	18.7	17.8	17.2	17.8	18.4	18.6	18.0	18.4
Total assets	**289,191**	281,458	276,312	269,106	263,355	262,471	257,637	256,259		
Net impaired loans[(1)]	**436**	450	420	379	373	404	413	382		
Per common share ($)										
Book value	**37.58**	36.89	36.12	35.49	34.85	34.40	33.91	32.64		
Share price										
High	**74.22**	68.02	64.16	63.82	61.80	65.63	64.29	64.08		
Low	**68.25**	60.38	60.71	60.31	54.97	58.93	61.26	58.69		

(1) All loans classified in Stage 3 of the expected credit loss model are impaired loans; the net impaired loans presented in this table exclude POCI loans.

Interim Condensed Consolidated Financial Statements

(unaudited)

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at January 31, 2020	As at October 31, 2019
Assets		
Cash and deposits with financial institutions	12,454	13,698
Securities (Notes 4, 5 and 6)		
At fair value through profit or loss	73,151	61,823
At fair value through other comprehensive income	9,488	10,648
At amortized cost	9,660	9,755
	92,299	82,226
Securities purchased under reverse repurchase agreements and securities borrowed	11,689	17,723
Loans (Note 7)		
Residential mortgage	58,497	57,171
Personal	36,845	36,944
Credit card	2,255	2,322
Business and government	52,376	50,599
	149,973	147,036
Customers' liability under acceptances	6,871	6,893
Allowances for credit losses	(693)	(678)
	156,151	153,251
Other		
Derivative financial instruments	8,965	8,129
Investments in associates and joint ventures	387	385
Premises and equipment (Note 2)	1,155	490
Goodwill	1,413	1,412
Intangible assets	1,420	1,406
Other assets (Note 9)	3,258	2,738
	16,598	14,560
	289,191	281,458
Liabilities and equity		
Deposits (Notes 5 and 10)	197,504	189,566
Other		
Acceptances	6,871	6,893
Obligations related to securities sold short	12,263	12,849
Obligations related to securities sold under repurchase agreements and securities loaned	22,054	21,900
Derivative financial instruments	6,982	6,852
Liabilities related to transferred receivables (Notes 5 and 8)	20,824	21,312
Other liabilities (Note 11)	6,498	6,177
	75,492	75,983
Subordinated debt	774	773
Equity		
Equity attributable to the Bank's shareholders (Notes 12 and 14)		
Preferred shares	2,450	2,450
Common shares	3,028	2,949
Contributed surplus	44	51
Retained earnings	9,556	9,312
Accumulated other comprehensive income	(7)	16
	15,071	14,778
Non-controlling interests	350	358
	15,421	15,136
	289,191	281,458

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	
	2020	2019
Interest income		
Loans	1,648	1,604
Securities at fair value through profit or loss	280	232
Securities at fair value through other comprehensive income	55	37
Securities at amortized cost	59	53
Deposits with financial institutions	32	70
	2,074	1,996
Interest expense		
Deposits	890	840
Liabilities related to transferred receivables	106	106
Subordinated debt	6	6
Other	142	181
	1,144	1,133
Net interest income(1)	930	863
Non-interest income		
Underwriting and advisory fees	86	61
Securities brokerage commissions	48	44
Mutual fund revenues	120	106
Trust service revenues	166	147
Credit fees	110	102
Card revenues	39	41
Deposit and payment service charges	68	68
Trading revenues (losses)	225	228
Gains (losses) on non-trading securities, net	30	32
Insurance revenues, net	36	34
Foreign exchange revenues, other than trading	24	24
Share in the net income of associates and joint ventures	10	8
Other	31	41
	993	936
Total revenues	1,923	1,799
Provisions for credit losses (Note 7)	89	88
	1,834	1,711
Non-interest expenses		
Compensation and employee benefits	660	616
Occupancy	66	62
Technology	169	161
Communications	16	16
Professional fees	59	62
Other	121	109
	1,091	1,026
Income before income taxes	743	685
Income taxes	133	133
Net income	610	552
Net income attributable to		
Preferred shareholders	29	29
Common shareholders	565	507
Bank shareholders	594	536
Non-controlling interests	16	16
	610	552
Earnings per share *(dollars)* (Note 16)		
Basic	1.69	1.51
Diluted	1.67	1.50
Dividends per common share *(dollars)* (Note 12)	0.71	0.65

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, 2019.

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2020	2019
Net income	**610**	552
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	**13**	(8)
Impact of hedging net foreign currency translation gains (losses)	**(6)**	1
	7	(7)
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	**23**	8
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(11)**	(10)
	12	(2)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(38)**	(94)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(9)
	(41)	(103)
Share in the other comprehensive income of associates and joint ventures	**–**	1
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**(63)**	(52)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**11**	(6)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(31)**	53
	(83)	(5)
Total other comprehensive income, net of income taxes	**(105)**	(116)
Comprehensive income	**505**	436
Comprehensive income attributable to		
Bank shareholders	**488**	421
Non-controlling interests	**17**	15
	505	436

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	
	2020	2019
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)	**(2)**	–
	(2)	3
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**	3
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(4)**	(4)
	4	(1)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(14)**	(34)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(1)**	(3)
	(15)	(37)
Share in the other comprehensive income of associates and joint ventures	**–**	–
Remeasurements of pension plans and other post-employment benefit plans	**(22)**	(19)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**5**	(2)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(12)**	19
	(42)	(37)

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	
	2020	2019
Preferred shares at beginning and at end	2,450	2,450
Common shares at beginning (Note 12)	2,949	2,822
Issuances of common shares pursuant to the Stock Option Plan	79	23
Repurchases of common shares for cancellation	–	(9)
Impact of shares purchased or sold for trading	–	44
Common shares at end	3,028	2,880
Contributed surplus at beginning	51	57
Stock option expense (Note 14)	2	3
Stock options exercised	(9)	(3)
Other	–	(4)
Contributed surplus at end	44	53
Retained earnings at beginning	9,312	8,472
Impact of adopting IFRS 15 on November 1, 2018	–	(4)
Net income attributable to the Bank's shareholders	594	536
Dividends on preferred shares (Note 12)	(29)	(29)
Dividends on common shares (Note 12)	(238)	(218)
Premium paid on common shares repurchased for cancellation	–	(51)
Remeasurements of pension plans and other post-employment benefit plans	(63)	(52)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	11	(6)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(31)	53
Impact of a financial liability resulting from put options written to non-controlling interests	–	(4)
Other	–	(2)
Retained earnings at end	9,556	8,695
Accumulated other comprehensive income at beginning	16	175
Net foreign currency translation adjustments	6	(6)
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	12	(2)
Net change in gains (losses) on cash flow hedges	(41)	(103)
Share in the other comprehensive income of associates and joint ventures	–	1
Accumulated other comprehensive income at end	(7)	65
Equity attributable to the Bank's shareholders	15,071	14,143
Non-controlling interests at beginning	358	379
Net income attributable to non-controlling interests	16	16
Other comprehensive income attributable to non-controlling interests	1	(1)
Distributions to non-controlling interests	(25)	(22)
Non-controlling interests at end	350	372
Equity	15,421	14,515

Accumulated Other Comprehensive Income

	As at January 31, 2020	As at January 31, 2019
Accumulated other comprehensive income		
Net foreign currency translation adjustments	14	8
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	26	11
Net gains (losses) on instruments designated as cash flow hedges	(47)	48
Share in the other comprehensive income of associates and joint ventures	–	(2)
	(7)	65

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	
	2020	2019
Cash flows from operating activities		
Net income	**610**	552
Adjustments for		
Provisions for credit losses	**89**	88
Amortization of premises and equipment including right-of-use assets	**48**	27
Amortization of intangible assets	**61**	56
Deferred taxes	**24**	8
Losses (gains) on sales of non-trading securities, net	**(30)**	(32)
Share in the net income of associates and joint ventures	**(10)**	(8)
Stock option expense	**2**	3
Change in operating assets and liabilities		
Securities at fair value through profit or loss	**(11,328)**	(3,594)
Securities purchased under reverse repurchase agreements and securities borrowed	**6,034**	2,997
Loans and acceptances, net of securitization	**(3,503)**	(1,506)
Deposits	**7,938**	2,100
Obligations related to securities sold short	**(586)**	(2,474)
Obligations related to securities sold under repurchase agreements and securities loaned	**154**	1,313
Derivative financial instruments, net	**(706)**	1,666
Interest and dividends receivable and interest payable	**20**	(80)
Current tax assets and liabilities	**(117)**	(67)
Other items	**(780)**	145
	(2,080)	1,194
Cash flows from financing activities		
Issuances of common shares (including the impact of shares purchased for trading)	**70**	64
Repurchases of common shares for cancellation	**–**	(60)
Repayments of lease liabilities	**(21)**	–
Dividends paid	**(495)**	(241)
Distributions to non-controlling interests	**(25)**	(22)
	(471)	(259)
Cash flows from investing activities		
Purchases of non-trading securities	**(1,545)**	(3,726)
Maturities of non-trading securities	**445**	187
Sales of non-trading securities	**2,436**	2,278
Net change in premises and equipment	**(53)**	(31)
Net change in intangible assets	**(75)**	(75)
	1,208	(1,367)
Impact of currency rate movements on cash and cash equivalents	**99**	29
Increase (decrease) in cash and cash equivalents	**(1,244)**	(403)
Cash and cash equivalents at beginning	**13,698**	12,756
Cash and cash equivalents at end(1)	**12,454**	12,353
Supplementary information about cash flows from operating activities		
Interest paid	**1,171**	1,212
Interest and dividends received	**2,121**	1,995
Income taxes paid	**185**	76

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 $4.1 billion as at January 31, 2020 ($4.1 billion as at October 31, 2019) 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, 2020, 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, 2020.

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, 2019, except for the changes described in Note 2 to these consolidated financial statements, which have been applied since November 1, 2019 following the Bank's adoption of IFRS 16 – *Leases* as well as its early adoption of amendments to IFRS 7 and IAS 39 arising from the interest rate benchmark reform.

As permitted by the transitional provisions of IFRS 16, the Bank elected to apply IFRS 16 using the modified retrospective basis, with no restatement of comparative periods. Note 2 to these consolidated financial statements presents the impacts of IFRS 16 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2019 and additional information on adoption of IFRS 16. Since interim consolidated financial statements do not include all 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, 2019.

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

Note 2 – Accounting Policy Changes

The Bank adopted the following new and amended standards on November 1, 2019.

IFRS 16 – Leases

IFRS 16 introduces a single on-balance-sheet accounting model for lessees. As for lessors, IFRS 16 substantially carries forward the lessor accounting in the previous accounting standard, with the distinction between operating leases and finance leases being retained. Changes in accounting policies resulting from the adoption of IFRS 16 on November 1, 2019 are described hereafter.

At the inception date of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When the Bank is a lessee, it recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date except for short-term leases (defined as leases with terms of 12 months or less) other than real estate leases and leases for which the underlying asset is of low value. For such leases, the Bank recognizes the lease payments as a non-interest expense on a straight-line basis over the lease term. As a practical expedient, the Bank elected for real estate leases not to separate non-lease components from lease components and instead account for them as a single lease component.

(unaudited) (millions of Canadian dollars)

Right-of-use assets

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of lease liabilities. The cost of a right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred when entering into the lease, and an estimate of costs to dismantle the asset or restore the site, less any lease incentives received. Right-of-use assets are depreciated over the lesser of the lease term and the useful life of the asset.

Right-of-use assets are presented in *Premises and equipment* on the Consolidated Balance Sheet. The depreciation expense and impairment losses, if any, are recorded in *Non-interest expenses* in the Consolidated Statement of Income.

Lease liabilities

The lease liability is initially measured at the present value of future lease payments net of lease incentives not yet received. The present value of lease payments is determined using the Bank's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. In determining the lease term, the Bank considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The lease term determined by the Bank comprises the non-cancellable period of lease contracts, the periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option. The Bank reassesses the lease term if a significant event or change in circumstances occurs and that is within its control. The Bank applies judgment to determine the lease term when the lease includes extension and termination options.

Lease liabilities are presented in *Other liabilities* on the Consolidated Balance Sheet, and the interest expense is presented in the *Interest expense – Other* item of the Consolidated Statement of Income.

Impact of IFRS 16 adoption

On November 1, 2019, the Bank adopted IFRS 16. As a result, the Bank recognized right-of-use assets of $648 million ($668 million reduced by provisions for onerous lease contracts of $20 million previously recorded in *Other liabilities – Other items* as at October 31, 2019) and lease liabilities of $668 million.

On transition, for leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments and discounted using the Bank's incremental borrowing rate as at November 1, 2019. The Bank's weighted average incremental borrowing rate on the total lease liability as at November 1, 2019 was 2.77%. Right-of-use assets were measured at an amount equal to the lease liability and reduced by the amount of the provisions for onerous contracts recorded as at October 31, 2019.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases. The Bank:

- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- relied on previous assessments of whether or not a lease is an onerous contract;
- did not separate lease components and non-lease components and treated them as a single lease component;
- applied the recognition exemption to leases for which the lease term ends within 12 months of the transition date and to leases for which the underlying asset is of low value; and
- elected not to apply IFRS 16 to leases of intangible assets.

The following table presents a reconciliation of the Bank's operating lease commitments as at October 31, 2019 to the lease liabilities recognized as at November 1, 2019.

Operating lease commitments as at October 31, 2019	691
Extension and termination options reasonably certain to be exercised	70
Impact of discounting using the Bank's incremental borrowing rate as at November 1, 2019	(93)
Lease liabilities recognized as at November 1, 2019	668

As at January 31, 2020, the amount of the right-of-use assets presented in *Premises and equipment* was $636 million and the amount of lease liabilities presented in *Other liabilities* was $659 million. For the quarter ended January 31, 2020, the Bank recognized a $24 million depreciation expense on right-of-use assets in *Non-interest expenses – Occupancy* and a $5 million interest expense on lease liabilities in *Interest expense – Other*.

Note 2 – Accounting Policy Changes (cont.)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
In September 2019, in response to uncertainty arising from the phasing-out of benchmark interest rates such as interbank offered rates (IBORs), the IASB issued amendments to its new and former financial instrument standards, IFRS 9 – *Financial Instruments* and IAS 39 – *Financial Instruments: Recognition and Measurement* as well as to the related standard on disclosures, IFRS 7 – *Financial Instruments: Disclosure*. On November 1, 2019, the Bank early adopted the amendments to IFRS 7 and IAS 39. When the Bank had adopted IFRS 9 on November 1, 2017, it had made an accounting policy choice to continue applying the IAS 39 hedge accounting requirements.

The amendments to IAS 39 provide temporary relief from applying specific hedge accounting requirements to all hedging relationships directly affected by interest rate benchmark reform. A hedging relationship is affected by interest rate benchmark reform if the reform gives rise to uncertainties about (a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or (b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform, thereby allowing hedge accounting to continue during the period of uncertainty prior to the transition to alternative benchmark rates. Mandatory application of the amendments ends at the earlier of the following: when the uncertainty arising from interest rate benchmark reform is no longer present and when the hedging relationship is discontinued.

For the Bank, the effective date of these amendments is November 1, 2020. However, early adoption is permitted. For additional information, see Note 17 to the audited annual consolidated financial statements for the year ended October 31, 2019.

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 16 on November 1, 2019 and the early adoption of the amendments to IFRS 7 and IAS 39 arising from the interest rate benchmark reform, 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, 2019.

(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, 2020
	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	–	–	–	–	12,454	12,454	12,454	12,454
Securities	69,928	3,223	8,873	615	9,660	9,750	92,299	92,389
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	–	11,689	11,689	11,689	11,689
Loans and acceptances, net of allowances	7,109	–	–	–	149,042	150,028	156,151	157,137
Other								
Derivative financial instruments	8,965	–	–	–	–	–	8,965	8,965
Other assets	–	–	–	–	1,577	1,577	1,577	1,577
Financial liabilities								
Deposits	–	11,228			186,276 (1)	186,810	197,504	198,038
Other								
Acceptances	–	–			6,871	6,871	6,871	6,871
Obligations related to securities sold short	12,263	–			–	–	12,263	12,263
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			22,054	22,054	22,054	22,054
Derivative financial instruments	6,982	–			–	–	6,982	6,982
Liabilities related to transferred receivables	–	7,755			13,069	13,200	20,824	20,955
Other liabilities	–	–			3,254	3,256	3,254	3,256
Subordinated debt	–	–			774	776	774	776

(1) Includes embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

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

As at October 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	–	–	–	–	13,698	13,698	13,698	13,698
Securities	58,556	3,267	10,026	622	9,755	9,824	82,226	82,295
Securities purchased under reverse repurchase agreements and securities borrowed	–	87	–	–	17,636	17,636	17,723	17,723
Loans and acceptances, net of allowances	6,798	–	–	–	146,453	147,051	153,251	153,849
Other								
Derivative financial instruments	8,129	–	–	–	–	–	8,129	8,129
Other assets	–	–	–	–	1,193	1,193	1,193	1,193
Financial liabilities								
Deposits	–	11,203			178,363 (1)	178,861	189,566	190,064
Other								
Acceptances	–	–			6,893	6,893	6,893	6,893
Obligations related to securities sold short	12,849	–			–	–	12,849	12,849
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			21,900	21,900	21,900	21,900
Derivative financial instruments	6,852	–			–	–	6,852	6,852
Liabilities related to transferred receivables	–	8,215			13,097	13,186	21,312	21,401
Other liabilities	24	–			3,018	3,019	3,042	3,043
Subordinated debt	–	–			773	765	773	765

(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, 2020 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 3 to the audited annual consolidated financial statements for the year ended October 31, 2019. 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 measurement hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. This fair value hierarchy requires observable market inputs to be used whenever such inputs exist. According to the hierarchy, the highest level of inputs are unadjusted quoted prices in active markets for identical instruments and the lowest level of inputs are unobservable inputs. If inputs from different levels of the hierarchy are used, the financial instrument is classified in the same level as the lowest level input that is significant to the fair value measurement. For additional information, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2019.

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, 2020, $7 million in securities classified as at fair value through profit or loss were transferred from Level 2 to Level 1 resulting from changing market conditions ($34 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, 2019). Also during the quarter ended January 31, 2020, $2 million in securities classified as at fair value through profit or loss were transferred from Level 1 to Level 2 ($3 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, 2019). During the quarters ended January 31, 2020 and 2019, 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, 2020
	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	2,505	7,107	–	9,612
Canadian provincial and municipal governments	–	6,288	–	6,288
U.S. Treasury, other U.S. agencies and other foreign governments	4,198	105	–	4,303
Other debt securities	–	2,459	37	2,496
Equity securities	49,596	390	466	50,452
	56,299	16,349	503	73,151
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	183	4,134	–	4,317
Canadian provincial and municipal governments	–	1,517	–	1,517
U.S. Treasury, other U.S. agencies and other foreign governments	2,718	76	–	2,794
Other debt securities	–	245	–	245
Equity securities	35	218	362	615
	2,936	6,190	362	9,488
Loans	–	6,748	361	7,109
Other				
Derivative financial instruments	226	8,717	22	8,965
	59,461	38,004	1,248	98,713
Financial liabilities				
Deposits	–	11,427	4	11,431
Other				
Obligations related to securities sold short	8,185	4,078	–	12,263
Derivative financial instruments	158	6,807	17	6,982
Liabilities related to transferred receivables	–	7,755	–	7,755
	8,343	30,067	21	38,431

(unaudited) (millions of Canadian dollars)

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

			As at October 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	2,102	8,321	–	10,423
Canadian provincial and municipal governments	–	6,762	–	6,762
U.S. Treasury, other U.S. agencies and other foreign governments	1,770	90	–	1,860
Other debt securities	–	2,666	27	2,693
Equity securities	38,836	818	431	40,085
	42,708	18,657	458	61,823
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	196	4,236	–	4,432
Canadian provincial and municipal governments	–	1,674	–	1,674
U.S. Treasury, other U.S. agencies and other foreign governments	3,471	75	–	3,546
Other debt securities	–	374	–	374
Equity securities	53	207	362	622
	3,720	6,566	362	10,648
Securities purchased under reverse repurchase agreements and securities borrowed	–	87	–	87
Loans	–	6,438	360	6,798
Other				
Derivative financial instruments	179	7,924	26	8,129
	46,607	39,672	1,206	87,485
Financial liabilities				
Deposits	–	11,383	–	11,383
Other				
Obligations related to securities sold short	8,352	4,497	–	12,849
Derivative financial instruments	156	6,674	22	6,852
Liabilities related to transferred receivables	–	8,215	–	8,215
Other liabilities	–	24	–	24
	8,508	30,793	22	39,323

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 3 to the audited annual consolidated financial statements for the year ended October 31, 2019. For the quarter ended January 31, 2020, 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 an unobservable input might affect the fair value measurements of Level 3 financial instruments, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2019. For the quarter ended January 31, 2020, 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, 2020
	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, 2019	458	362	360	4	–
Total realized and unrealized gains (losses) included in *Net income*[2]	40	–	3	2	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	–	–	–	–
Purchases	10	–	–	–	–
Sales	(5)	–	–	–	–
Issuances	–	–	1	–	–
Settlements and other	–	–	(3)	1	–
Financial instruments transferred into Level 3	–	–	–	–	(4)
Financial instruments transferred out of Level 3	–	–	–	(2)	–
Fair value as at January 31, 2020	503	362	361	5	(4)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2020[3]	39	–	3	2	–

					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*[4]	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[5]	16	–	–	4	1

(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 $45 million.
(3) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $44 million.
(4) Total gains (losses) included in *Non-interest income* was a gain of $27 million.
(5) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $21 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, 2019. 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 thereon on different bases, the Bank designated at fair value through profit or loss certain securities, certain securities purchased under reverse 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. 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, 2020	**Unrealized gains (losses) for the quarter ended January 31, 2020**	**Unrealized gains (losses) since the initial recognition of the instrument**
Financial assets designated at fair value through profit or loss			
Securities	**3,223**	**13**	**39**
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	**11,228**	**(165)**	**(320)**
Liabilities related to transferred receivables	**7,755**	**(15)**	**(90)**
	18,983	**(180)**	**(410)**

	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

(1) For the quarter ended January 31, 2020, 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 loss of $43 million ($72 million gain for the quarter ended January 31, 2019).

(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, 2020 and as at October 31, 2019, 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, 2020
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value(1)
Securities issued or guaranteed by				
Canadian government	4,282	36	(1)	4,317
Canadian provincial and municipal governments	1,452	65	–	1,517
U.S. Treasury, other U.S. agencies and other foreign governments	2,766	28	–	2,794
Other debt securities	231	14	–	245
Equity securities	625	6	(16)	615
	9,356	149	(17)	9,488

				As at October 31, 2019
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value(1)
Securities issued or guaranteed by				
Canadian government	4,411	26	(5)	4,432
Canadian provincial and municipal governments	1,614	60	–	1,674
U.S. Treasury, other U.S. agencies and other foreign governments	3,521	25	–	3,546
Other debt securities	364	11	(1)	374
Equity securities	649	2	(29)	622
	10,559	124	(35)	10,648

(1) The allowances for credit losses on securities at fair value through other comprehensive income, representing a negligible amount as at January 31, 2020 and October 31, 2019, 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 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, 2020, an amount of $4 million in dividend income was recognized for these investments ($2 million for the quarter ended January 31, 2019), including negligible amounts for investments that were sold during the quarters ended January 31, 2020 and 2019.

	Quarter ended January 31, 2020			Quarter ended January 31, 2019		
	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	362	260	622	233	118	351
Change in fair value	–	16	16	–	(8)	(8)
Designated at fair value through other comprehensive income	–	31	31	–	26	26
Sales(1)	–	(54)	(54)	–	(16)	(16)
Fair value at the end	362	253	615	233	120	353

(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, 2020	As at October 31, 2019
Securities issued or guaranteed by		
Canadian government	**5,193**	5,248
Canadian provincial and municipal governments	**1,819**	1,788
U.S. Treasury, other U.S. agencies and other foreign governments	**60**	139
Other debt securities	**2,589**	2,581
Gross carrying value	**9,661**	9,756
Allowances for credit losses	**1**	1
Carrying value	**9,660**	9,755

Gains (Losses) on Disposals of Securities at Amortized Cost

During the quarter ended January 31, 2020, the Bank did not dispose of any securities measured at amortized cost. During the quarter ended January 31, 2019, the Bank had disposed of certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $166 million, and the Bank had recognized gains of a negligible amount 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 7 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Credit Quality of Loans

The following tables present the gross carrying amounts of loans as at January 31, 2020 and October 31, 2019, 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 Ratings table on page 69 in the Credit Risk section of the *2019 Annual Report*.

(unaudited) (millions of Canadian dollars)

						As at January 31, 2020
	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	21,781	2	–	–	–	21,783
Good	15,929	13	–	–	–	15,942
Satisfactory	7,667	584	–	–	–	8,251
Special mention	283	453	–	–	–	736
Substandard	84	264	–	–	–	348
Default	–	–	122	–	–	122
AIRB approach	45,744	1,316	122	–	–	47,182
Standardized approach	4,185	17	32	508	6,573	11,315
Gross carrying amount	49,929	1,333	154	508	6,573	58,497
Allowances for credit losses(2)	41	12	25	(52)	–	26
Carrying amount	49,888	1,321	129	560	6,573	58,471
Personal						
Excellent	13,633	7	–	–	–	13,640
Good	10,565	300	–	–	–	10,865
Satisfactory	5,030	1,590	–	–	–	6,620
Special mention	386	695	–	–	–	1,081
Substandard	88	207	–	–	–	295
Default	–	–	136	–	–	136
AIRB approach	29,702	2,799	136	–	–	32,637
Standardized approach	3,594	77	21	516	–	4,208
Gross carrying amount	33,296	2,876	157	516	–	36,845
Allowances for credit losses(2)	59	103	73	(6)	–	229
Carrying amount	33,237	2,773	84	522	–	36,616
Credit card						
Excellent	332	–	–	–	–	332
Good	324	–	–	–	–	324
Satisfactory	761	19	–	–	–	780
Special mention	413	245	–	–	–	658
Substandard	22	106	–	–	–	128
Default	–	–	–	–	–	–
AIRB approach	1,852	370	–	–	–	2,222
Standardized approach	33	–	–	–	–	33
Gross carrying amount	1,885	370	–	–	–	2,255
Allowances for credit losses(2)	26	104	–	–	–	130
Carrying amount	1,859	266	–	–	–	2,125
Business and government(3)						
Excellent	4,810	–	–	–	145	4,955
Good	23,480	4	–	–	161	23,645
Satisfactory	22,727	1,291	–	–	72	24,090
Special mention	56	1,204	–	–	–	1,260
Substandard	11	187	–	–	–	198
Default	–	–	283	–	–	283
AIRB approach	51,084	2,686	283	–	378	54,431
Standardized approach	4,575	–	83	–	158	4,816
Gross carrying amount	55,659	2,686	366	–	536	59,247
Allowances for credit losses(2)	62	103	143	–	–	308
Carrying amount	55,597	2,583	223	–	536	58,939
Total loans						
Gross carrying amount	140,769	7,265	677	1,024	7,109	156,844
Allowances for credit losses(2)	188	322	241	(58)	–	693
Carrying amount	140,581	6,943	436	1,082	7,109	156,151

(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, 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	21,840	–	–	–	–	21,840
Good	14,375	11	–	–	–	14,386
Satisfactory	8,178	674	–	–	–	8,852
Special mention	413	497	–	–	–	910
Substandard	101	248	–	–	–	349
Default	–	–	117	–	–	117
AIRB approach	44,907	1,430	117	–	–	46,454
Standardized approach	3,686	19	27	553	6,432	10,717
Gross carrying amount	48,593	1,449	144	553	6,432	57,171
Allowances for credit losses[2]	37	12	25	(53)	–	21
Carrying amount	48,556	1,437	119	606	6,432	57,150
Personal						
Excellent	14,331	–	–	–	–	14,331
Good	10,119	206	–	–	–	10,325
Satisfactory	4,973	1,477	–	–	–	6,450
Special mention	416	711	–	–	–	1,127
Substandard	109	199	–	–	–	308
Default	–	–	139	–	–	139
AIRB approach	29,948	2,593	139	–	–	32,680
Standardized approach	3,545	83	23	613	–	4,264
Gross carrying amount	33,493	2,676	162	613	–	36,944
Allowances for credit losses[2]	64	103	69	(4)	–	232
Carrying amount	33,429	2,573	93	617	–	36,712
Credit card						
Excellent	370	–	–	–	–	370
Good	316	–	–	–	–	316
Satisfactory	786	20	–	–	–	806
Special mention	421	241	–	–	–	662
Substandard	22	112	–	–	–	134
Default	–	–	–	–	–	–
AIRB approach	1,915	373	–	–	–	2,288
Standardized approach	34	–	–	–	–	34
Gross carrying amount	1,949	373	–	–	–	2,322
Allowances for credit losses[2]	26	102	–	–	–	128
Carrying amount	1,923	271	–	–	–	2,194
Business and government[3]						
Excellent	4,783	–	–	–	112	4,895
Good	22,951	4	–	–	53	23,008
Satisfactory	22,367	1,346	–	–	72	23,785
Special mention	87	1,131	–	–	–	1,218
Substandard	45	255	–	–	–	300
Default	–	–	306	–	–	306
AIRB approach	50,233	2,736	306	–	237	53,512
Standardized approach	3,779	–	72	–	129	3,980
Gross carrying amount	54,012	2,736	378	–	366	57,492
Allowances for credit losses[2]	58	99	140	–	–	297
Carrying amount	53,954	2,637	238	–	366	57,195
Total loans						
Gross carrying amount	138,047	7,234	684	1,166	6,798	153,929
Allowances for credit losses[2]	185	316	234	(57)	–	678
Carrying amount	137,862	6,918	450	1,223	6,798	153,251

(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, 2020 and October 31, 2019 according to credit quality and ECL impairment stage.

	As at January 31, 2020				As at October 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments(1)								
Retail								
Excellent	12,038	5	–	12,043	12,088	2	–	12,090
Good	3,914	74	–	3,988	3,585	51	–	3,636
Satisfactory	1,307	179	–	1,486	1,328	180	–	1,508
Special mention	104	68	–	172	114	82	–	196
Substandard	4	18	–	22	5	19	–	24
Default	–	–	3	3	–	–	4	4
Non-retail								
Excellent	9,718	–	–	9,718	10,050	–	–	10,050
Good	15,282	–	–	15,282	14,640	1	–	14,641
Satisfactory	7,001	450	–	7,451	6,165	513	–	6,678
Special mention	15	146	–	161	17	161	–	178
Substandard	1	29	–	30	167	29	–	196
Default	–	–	13	13	–	–	16	16
AIRB approach	49,384	969	16	50,369	48,159	1,038	20	49,217
Standardized approach	7,408	–	3	7,411	6,154	–	1	6,155
Total exposure	56,792	969	19	57,780	54,313	1,038	21	55,372
Allowances for credit losses	53	20	–	73	53	20	1	74
Total exposure, net of allowances	56,739	949	19	57,707	54,260	1,018	20	55,298

(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, 2020				As at October 31, 2019			
	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	92	73	27	39	92	82	27	31
61 to 90 days	31	34	15	11	34	34	13	21
Over 90 days(3)	–	–	33	–	–	–	28	–
	123	107	75	50	126	116	68	52

(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

	As at January 31, 2020			As at October 31, 2019		
	Gross	Allowances for credit losses	Net	Gross	Allowances for credit losses	Net
Loans – Stage 3						
Residential mortgage	154	25	129	144	25	119
Personal	157	73	84	162	69	93
Credit card(1)	–	–	–	–	–	–
Business and government(2)	366	143	223	378	140	238
	677	241	436	684	234	450
POCI loans	1,024	(58)	1,082	1,166	(57)	1,223
	1,701	183	1,518	1,850	177	1,673

(1) Credit card receivables are considered impaired, at the latest, when payment is 180 days past due, and they are written off at that time.
(2) 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 type of off-balance-sheet commitment.

						Quarter ended January 31, 2020
	Allowances for credit losses as at October 31, 2019	Provisions for credit losses	Write-offs[1]	Disposals	Recoveries and other	Allowances for credit losses as at January 31, 2020
Balance sheet						
Cash and deposits with financial institutions[2][3]	2	–	–	–	–	2
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	21	7	(2)	–	–	26
Personal	232	26	(35)	–	6	229
Credit card	128	26	(27)	–	3	130
Business and government	268	27	(21)	–	1	275
Customers' liability under acceptances	29	4	–	–	–	33
	678	90	(85)	–	10	693
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	6	–	–	–	–	6
Undrawn commitments	66	(1)	–	–	–	65
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	74	(1)	–	–	–	73
	755	89	(85)	–	10	769

						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

(1) The contractual amount outstanding on financial assets that were written off during the quarter ended January 31, 2020 and that are still subject to enforcement activity was $43 million ($41 million for the quarter ended January 31, 2019).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at January 31, 2020 and 2019, 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, 2020					Quarter ended January 31, 2019				
	Allowances for credit losses on non-impaired loans		**Allowances for credit losses on impaired loans**			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	**Stage 2**	**Stage 3**	**POCI[(1)]**	**Total**	Stage 1	Stage 2	Stage 3	POCI[(1)]	Total
Residential mortgage										
Balance at beginning	**37**	**12**	**25**	**(53)**	**21**	31	13	21	(64)	1
Originations or purchases	**2**	**–**	**–**	**–**	**2**	6	–	–	–	6
Transfers[(2)]:										
to Stage 1	**4**	**(3)**	**(1)**	**–**	**–**	4	(3)	(1)	–	–
to Stage 2	**(1)**	**1**	**–**	**–**	**–**	–	–	–	–	–
to Stage 3	**–**	**(1)**	**1**	**–**	**–**	–	(1)	1	–	–
Net remeasurement of loss allowances[(3)]	**(2)**	**4**	**3**	**1**	**6**	(9)	3	3	4	1
Derecognitions[(4)]	**–**	**(1)**	**–**	**–**	**(1)**	–	–	–	–	–
Changes to models	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Provisions for credit losses	**3**	**–**	**3**	**1**	**7**	1	(1)	3	4	7
Write-offs	**–**	**–**	**(2)**	**–**	**(2)**	–	–	(1)	–	(1)
Disposals	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Recoveries	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Foreign exchange movements and other	**1**	**–**	**(1)**	**–**	**–**	–	–	–	–	–
Balance at end	**41**	**12**	**25**	**(52)**	**26**	32	12	23	(60)	7
Includes:										
Amounts drawn	**41**	**12**	**25**	**(52)**	**26**	32	12	23	(60)	7
Undrawn commitments[(5)]	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Personal										
Balance at beginning	**65**	**104**	**69**	**(4)**	**234**	72	121	71	(3)	261
Originations or purchases	**11**	**–**	**–**	**–**	**11**	9	–	–	–	9
Transfers[(2)]:										
to Stage 1	**23**	**(21)**	**(2)**	**–**	**–**	20	(18)	(2)	–	–
to Stage 2	**(5)**	**6**	**(1)**	**–**	**–**	(6)	7	(1)	–	–
to Stage 3	**(2)**	**(17)**	**19**	**–**	**–**	(2)	(27)	29	–	–
Net remeasurement of loss allowances[(3)]	**(30)**	**35**	**18**	**(2)**	**21**	(21)	35	25	–	39
Derecognitions[(4)]	**(2)**	**(3)**	**(1)**	**–**	**(6)**	(3)	(3)	(1)	–	(7)
Changes to models	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Provisions for credit losses	**(5)**	**–**	**33**	**(2)**	**26**	(3)	(6)	50	–	41
Write-offs	**–**	**–**	**(35)**	**–**	**(35)**	–	–	(57)	–	(57)
Disposals	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Recoveries	**–**	**–**	**7**	**–**	**7**	–	–	8	–	8
Foreign exchange movements and other	**–**	**–**	**(1)**	**–**	**(1)**	–	–	–	–	–
Balance at end	**60**	**104**	**73**	**(6)**	**231**	69	115	72	(3)	253
Includes:										
Amounts drawn	**59**	**103**	**73**	**(6)**	**229**	68	114	72	(3)	251
Undrawn commitments[(5)]	**1**	**1**	**–**	**–**	**2**	1	1	–	–	2

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2020 was nil ($13 million for the quarter ended January 31, 2019). 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, 2020					Quarter ended January 31, 2019				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Credit card										
Balance at beginning	47	113	–	–	160	40	115	–	–	155
Originations or purchases	2	–	–	–	2	2	–	–	–	2
Transfers[2]:										
to Stage 1	25	(25)	–	–	–	20	(20)	–	–	–
to Stage 2	(4)	4	–	–	–	(4)	4	–	–	–
to Stage 3	–	(10)	10	–	–	(2)	(8)	10	–	–
Net remeasurement of loss allowances[3]	(23)	33	14	–	24	(13)	22	12	–	21
Derecognitions[4]	(1)	–	–	–	(1)	(1)	–	–	–	(1)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(1)	2	24	–	25	2	(2)	22	–	22
Write-offs	–	–	(27)	–	(27)	–	–	(25)	–	(25)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	3	–	3	–	–	3	–	3
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	46	115	–	–	161	42	113	–	–	155
Includes:										
Amounts drawn	26	104	–	–	130	26	101	–	–	127
Undrawn commitments[5]	20	11	–	–	31	16	12	–	–	28
Business and government[6]										
Balance at beginning	83	105	141	–	329	65	89	135	1	290
Originations or purchases	7	–	–	–	7	9	–	–	–	9
Transfers[2]:										
to Stage 1	4	(2)	(2)	–	–	4	(2)	(2)	–	–
to Stage 2	(1)	3	(2)	–	–	(3)	6	(3)	–	–
to Stage 3	–	(9)	9	–	–	–	(1)	1	–	–
Net remeasurement of loss allowances[3]	(2)	14	20	–	32	(8)	14	10	–	16
Derecognitions[4]	(3)	(2)	(3)	–	(8)	(3)	(1)	(4)	–	(8)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	5	4	22	–	31	(1)	16	2	–	17
Write-offs	–	–	(21)	–	(21)	–	–	(2)	–	(2)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	1	–	1	–	–	1	–	1
Foreign exchange movements and other	–	–	–	–	–	–	–	(1)	–	(1)
Balance at end	88	109	143	–	340	64	105	135	1	305
Includes:										
Amounts drawn	62	103	143	–	308	45	98	135	1	279
Undrawn commitments[5]	26	6	–	–	32	19	7	–	–	26
Total allowances for credit losses at end[7]	235	340	241	(58)	758	207	345	230	(62)	720
Includes:										
Amounts drawn	188	322	241	(58)	693	171	325	230	(62)	664
Undrawn commitments[5]	47	18	–	–	65	36	20	–	–	56

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2020 was nil ($13 million for the quarter ended January 31, 2019). 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)

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 8 to the audited annual consolidated financial statements for the year ended October 31, 2019.

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, 2020	As at October 31, 2019
Carrying value of financial assets transferred but not derecognized		
Securities(1)	52,840	47,297
Residential mortgages	19,817	20,142
	72,657	67,439
Carrying value of associated liabilities(2)	38,082	36,625
Fair value of financial assets transferred but not derecognized		
Securities(1)	52,840	47,297
Residential mortgages	20,004	20,308
	72,844	67,605
Fair value of associated liabilities(2)	38,213	36,714

(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 $4,348 million as at January 31, 2020 ($3,166 million as at October 31, 2019) 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 $9,144 million as at January 31, 2020 ($9,753 million as at October 31, 2019).

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

	As at January 31, 2020	As at October 31, 2019
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	20,530	21,035
Securities sold under repurchase agreements	18,207	16,294
Securities loaned	33,920	30,110
	72,657	67,439

(unaudited) (millions of Canadian dollars)

Note 9 – Other Assets

	As at January 31, 2020	As at October 31, 2019
Receivables, prepaid expenses and other items	812	696
Interest and dividends receivable	576	623
Due from clients, dealers and brokers	1,001	570
Defined benefit asset	29	38
Deferred tax assets	563	562
Current tax assets	248	216
Reinsurance assets	29	33
	3,258	2,738

Note 10 – Deposits

	As at January 31, 2020				As at October 31, 2019
	On demand(1)	After notice(2)	Fixed term(3)	Total	Total
Personal	4,578	28,023	28,783	61,384	60,065
Business and government	40,525	20,600	69,752	130,877	125,266
Deposit-taking institutions	2,081	1,505	1,657	5,243	4,235
	47,184	50,128	100,192	197,504	189,566

(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.
(2) Notice deposits are deposits for which the Bank may legally require notice of withdrawal and consist mainly of deposits in savings accounts.
(3) 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 $9.5 billion as at January 31, 2020 ($9.5 billion as at October 31, 2019). During the quarter ended January 31, 2020, the Bank did not issue any covered bonds (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 for an amount of US$270 million and 750 million euros during the quarter ended January 31, 2019). For additional information on covered bonds, see Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2019.

The *Deposits – Business and government* item also includes deposits of $6.3 billion ($3.5 billion as at October 31, 2019) that are subject to the bank bail-in conversion regulations issued by the Government of Canada. These regulations provide certain powers to the Canada Deposit Insurance Corporation (CDIC), notably the power to convert certain eligible Bank shares and liabilities into common shares should the Bank become non-viable.

Note 11 – Other Liabilities

	As at January 31, 2020	As at October 31, 2019
Accounts payable and accrued expenses	1,472	1,883
Subsidiaries' debts to third parties	1,309	1,225
Interest and dividends payable	806	1,061
Lease liabilities(1)	659	–
Due to clients, dealers and brokers	1,062	548
Defined benefit liability	456	374
Allowances for credit losses — off-balance-sheet commitments (Note 7)	73	74
Deferred tax liabilities	1	5
Current tax liabilities	59	144
Insurance liabilities	12	24
Other items(2)(3)(4)	589	839
	6,498	6,177

(1) As at November 1, 2019, upon IFRS 16 adoption, the Bank recognized lease liabilities totalling $668 million.
(2) As at January 31, 2020, other items included a $3 million restructuring provision ($6 million as at October 31, 2019).
(3) As at January 31, 2020, other items included a $5 million litigation provision ($19 million as at October 31, 2019).
(4) As at November 1, 2019, upon IFRS 16 adoption, provisions for onerous contracts totalling $20 million were applied against the right-of-use assets reported in the *Premises and equipment* item.

(unaudited) (millions of Canadian dollars)

Note 12 – Share Capital

Repurchase of Common Shares

During the quarter ended January 31, 2020, the Bank did not repurchase common shares. During the quarter ended January 31, 2019, the Bank had repurchased 1,047,200 common shares for $60 million, which had reduced *Common share* capital by $9 million and *Retained earnings* by $51 million.

Shares Outstanding

	As at January 31, 2020		As at October 31, 2019	
	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	**334,172,411**	**2,949**	335,070,642	2,822
Issued pursuant to the Stock Option Plan	**1,640,626**	**79**	2,950,922	122
Repurchases of common shares for cancellation	**–**	**–**	(4,547,200)	(40)
Impact of shares purchased or sold for trading[1]	**4,918**	**–**	699,564	45
Other	**–**	**–**	(1,517)	–
Common shares at end of the period	**335,817,955**	**3,028**	334,172,411	2,949

(1) As at January 31, 2020, a total of 1,072 shares were sold short for trading, representing a negligible amount (3,846 shares held for trading representing a negligible amount as at October 31, 2019).

Dividends Declared

	Quarter ended January 31			
	2020		2019	
	Dividends $	**Dividends per share**	Dividends $	Dividends per share
First Preferred Shares				
Series 30	**3**	**0.2516**	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**	3	0.2875
Series 42	**4**	**0.3094**	4	0.3094
	29		29	
Common shares	**238**	**0.7100**	218	0.6500
	267		247	

Common Shares Held in Escrow

As part of the acquisition of Wellington West Holdings Inc. in 2011, the Bank had issued common shares held in escrow. As at January 31, 2020, the number of common shares held in escrow was 21,510 (21,510 as at October 31, 2019). The Bank expects that the remaining shares in escrow will be settled by the end of calendar year 2020.

(unaudited) (millions of Canadian dollars)

Note 13 – Capital Disclosure

The Bank and all other major Canadian banks have to maintain minimum capital ratios established by OSFI: a CET1 capital ratio of at least 10.0%, a Tier 1 capital ratio of at least 11.5%, and a Total capital ratio of at least 13.5%. All of these ratios are to include a capital conservation buffer of 2.5%, a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs), and a 2.0% domestic stability buffer. The domestic stability buffer, which can vary from 0% to 2.5% of risk-weighted assets, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. On December 10, 2019, OSFI raised the buffer level such that it will be 2.25% starting April 30, 2020. The banks also have to meet the 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. OSFI requires Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

During the quarter ended January 31, 2020, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III

	As at January 31, 2020	As at October 31, 2019
Capital		
CET1	**10,046**	9,692
Tier 1	**12,846**	12,492
Total	**13,755**	13,366
Risk-weighted assets	**86,206**	83,039
Total exposure	**319,709**	308,902
Capital ratios		
CET1	**11.7 %**	11.7 %
Tier 1	**14.9 %**	15.0 %
Total	**16.0 %**	16.1 %
Leverage ratio	**4.0 %**	4.0 %

Note 14 – Share-Based Payments

Stock Option Plan

During the quarter ended January 31, 2020, the Bank awarded 1,789,280 stock options (2,116,892 stock options during the quarter ended January 31, 2019) with an average fair value of $5.11 per option ($6.14 in 2019).

As at January 31, 2020, there were 12,212,108 stock options outstanding (12,103,626 stock options as at October 31, 2019).

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	
	2020	2019
Risk-free interest rate	**1.94%**	2.50%
Expected life of options	**7 years**	7 years
Expected volatility	**14.97%**	18.40%
Expected dividend yield	**4.29%**	4.37%

During the quarter ended January 31, 2020, a $2 million compensation expense was recorded for this plan ($3 million for the quarter ended January 31, 2019).

Note 15 – 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	
	2020	2019	**2020**	2019
Current service cost	**32**	23	**–**	1
Interest expense (income), net	**2**	1	**1**	2
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**35**	25	**1**	3
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**290**	224	**8**	9
Return on plan assets(2)	**(213)**	(162)		
Remeasurements recognized in *Other comprehensive income*	**77**	62	**8**	9
	112	87	**9**	12

(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 16 – 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 the redemption of preferred shares.

		Quarter ended January 31
	2020	2019
Basic earnings per share		
Net income attributable to the Bank's shareholders	**594**	536
Dividends on preferred shares	**29**	29
Net income attributable to common shareholders	**565**	507
Weighted average basic number of common shares outstanding *(thousands)*	**334,798**	335,716
Basic earnings per share *(dollars)*	**1.69**	1.51
Diluted earnings per share		
Net income attributable to common shareholders	**565**	507
Weighted average basic number of common shares outstanding *(thousands)*	**334,798**	335,716
Adjustment to average number of common shares *(thousands)*		
Stock options(1)	**3,091**	2,869
Weighted average diluted number of common shares outstanding *(thousands)*	**337,889**	338,585
Diluted earnings per share *(dollars)*	**1.67**	1.50

(1) For the quarter ended January 31, 2020, the calculation of diluted earnings per share excluded an average number of 1,050,230 options outstanding with a weighted average exercise price of $71.86 (1,799,080 options outstanding with a weighted average exercise price of $64.14 for the quarter ended January 31, 2019), as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 17 – Contingent Liabilities

Maple Financial Group Inc.

The Bank has a 24.9% equity interest in Maple Financial Group Inc. (Maple), a privately owned Canadian company that operated through direct and indirect wholly owned subsidiaries in Canada, Germany, the United Kingdom and the United States.

Maple Bank GmbH (Maple GmbH), an indirect wholly owned subsidiary of Maple, has been the subject of an investigation into alleged tax irregularities by German prosecutors since September 2015, and the investigation was focusing on selected trading activities by Maple GmbH and some of its former employees, primarily during taxation years 2006 to 2010. The German authorities have alleged that these trading activities, often referred to as "cum/ex trading," violated German tax laws. Neither the Bank nor its employees were involved in these trading activities and, to the Bank's knowledge, are not the subject of this investigation. At that time, the Bank announced that if it were determined that portions of the dividends it received from Maple could be reasonably attributed to tax fraud by Maple GmbH, arrangements would be made to repay those amounts to the relevant authority.

On February 6, 2016, the German Federal Financial Supervisory Authority, BaFin, placed a moratorium on the business activities of Maple GmbH preventing it from carrying out its normal business activities. In August 2016, Maple filed for bankruptcy under applicable Canadian laws, and a trustee was appointed to administer the company. Similar proceedings were initiated for each of Maple's other material subsidiaries in their home jurisdictions. In light of the situation, the Bank wrote off the carrying value of its equity interest in Maple in an amount of $164 million ($145 million net of income taxes) during the first quarter of 2016. The $164 million write-off of the equity interest in this associate was recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income for the year ended October 31, 2016 and was reported in the Financial Markets segment.

While there has not yet been a determination of tax fraud on the part of Maple GmbH or its employees, in the insolvency proceedings of Maple GmbH the German finance office issued a declaration about the result of the tax audit at Maple GmbH and about the relevant tax consequences of the cum/ex trading and concluded a final tax claim of the tax authorities against the insolvency administrator. This claim was approved by the Maple GmbH creditor assembly.

The Bank has been in contact with the German prosecutors, who have confirmed that, in their view based upon the evidence they have considered since the occurrence of the insolvency, the Bank was not involved in any respect with the alleged tax fraud undertaken by Maple GmbH nor was it negligent in failing to identify that alleged fraud. Further to discussions between the Bank and the German prosecutors concerning the amounts deemed attributable to the alleged tax fraud, the Bank paid 7.7 million euros to the German tax authorities on November 19, 2019. As at October 31, 2019, an $11 million provision was recorded to reflect this adjusting event after the Consolidated Balance Sheet date.

In December 2019, the Bank, together with the other principal Maple shareholders, reached an agreement with the bankruptcy and insolvency administrator of Maple GmbH to settle any potential claims that might be asserted against them by or on behalf of Maple GmbH. In connection with the settlement, the Bank agreed to pay 8.7 million euros for the benefit of Maple GmbH's creditors and recorded a $13 million charge in the *Non-interest expenses – Other* item presented in the *Other* heading of segment results. The legal process to finalize the agreement is under way and is expected to be completed by March 31, 2020. Upon the finalization of the agreement, the Bank expects that all material liabilities associated with its ownership of Maple will have been resolved.

(unaudited) (millions of Canadian dollars)

Note 18 – 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.

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, liquidity management, Bank funding, asset/liability management activities, certain non-recurring items, and the unallocated portion of corporate units.

Quarter ended January 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net interest income[2]	**611**	589	**119**	124	**120**	77	**181**	158	**(101)**	(85)	**930**	863
Non-interest income[2]	**269**	262	**346**	310	**338**	333	**14**	13	**26**	18	**993**	936
Total revenues	**880**	851	**465**	434	**458**	410	**195**	171	**(75)**	(67)	**1,923**	1,799
Non-interest expenses[3]	**468**	463	**282**	267	**199**	178	**78**	68	**64**	50	**1,091**	1,026
Contribution	**412**	388	**183**	167	**259**	232	**117**	103	**(139)**	(117)	**832**	773
Provisions for credit losses	**70**	58	**–**	–	**9**	3	**10**	27	**–**	–	**89**	88
Income before income taxes (recovery)	**342**	330	**183**	167	**250**	229	**107**	76	**(139)**	(117)	**743**	685
Income taxes (recovery)[2]	**91**	88	**48**	44	**66**	61	**22**	16	**(94)**	(76)	**133**	133
Net income	**251**	242	**135**	123	**184**	168	**85**	60	**(45)**	(41)	**610**	552
Non-controlling interests	**–**	–	**–**	–	**–**	–	**9**	10	**7**	6	**16**	16
Net income attributable to the Bank's shareholders	**251**	242	**135**	123	**184**	168	**76**	50	**(52)**	(47)	**594**	536
Average assets	**115,946**	111,145	**5,943**	6,492	**120,371**	104,545	**12,494**	10,448	**45,516**	46,796	**300,270**	279,426

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.

(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 $57 million ($35 million in 2019), *Non-interest income* was grossed up by $30 million ($28 million in 2019), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(3) For the quarter ended January 31, 2020, the *Non-interest expenses* presented in the *Other* heading of segment results included a $13 million charge related to Maple.

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

Communications and Corporate Social Responsibility
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 2020
(subject to approval by the Board of Directors of the Bank)

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

Disclosure of First Quarter 2020 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Thursday, February 27, 2020 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 1995846#.
- A recording of the conference call can be heard until March 27, 2020 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 the morning 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
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
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 $1 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