NATIONAL BANK

Report to Shareholders — Third Quarter 2019

National Bank reports its results for the Third Quarter of 2019

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

MONTREAL, August 28, 2019 – For the third quarter of 2019, National Bank is reporting net income of $608 million, a 7% increase from $569 million in the third quarter of 2018. Third-quarter diluted earnings per share stood at $1.66, up 9% from $1.52 in the same quarter of 2018. These increases were driven by net income growth across all the business segments. At $606 million, third-quarter net income excluding specified items rose 7% from $569 million in the same quarter of 2018. The specified items are described on page 5.

For the first nine months of 2019, the Bank's net income totalled $1,718 million, up $52 million or 3% from $1,666 million in the same period of 2018, and its diluted earnings per share stood at $4.67 versus $4.42 in the same nine-month period of 2018, a 6% increase owing essentially to growth across most of the business segments, tempered by a slowdown in the Financial Markets segment during the first six months of 2019.

"Each business segment contributed to earnings growth, helping the Bank to post solid performance in the third quarter of fiscal 2019," said Louis Vachon, President and Chief Executive Officer of National Bank of Canada. "In an environment of economic and geopolitical uncertainty, the Bank will maintain its disciplined approach to managing costs, credit and capital."

Highlights

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2019	2018	% Change	**2019**	2018	% Change
Net income	**608**	569	7	**1,718**	1,666	3
Diluted earnings per share *(dollars)*	**$ 1.66**	$ 1.52	9	**$ 4.67**	$ 4.42	6
Return on common shareholders' equity	**18.7 %**	18.4 %		**17.9 %**	18.5 %	
Dividend payout ratio	**42 %**	41 %		**42 %**	41 %	
Excluding specified items[1]						
Net income excluding specified items	**606**	569	7	**1,716**	1,666	3
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.66**	$ 1.52	9	**$ 4.67**	$ 4.42	6
Return on common shareholders' equity excluding specified items	**18.6 %**	18.4 %		**17.9 %**	18.5 %	
Dividend payout ratio excluding specified items	**42 %**	41 %		**42 %**	41 %	

	As at July 31, 2019	As at October 31, 2018
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 pages 4 and 5 for additional information on non-GAAP financial measures.

Personal and Commercial

- Net income totalled $277 million in the third quarter of 2019, up 11% from $250 million in the third quarter of 2018.
- At $891 million, the 2019 third-quarter total revenues rose $41 million or 5% year over year.
- Rising 4% from a year ago, personal lending experienced growth, particularly due to mortgage lending, while commercial lending grew 7% from a year ago.
- Net interest margin stood at 2.23% in the third quarter of 2019 versus 2.26% in the third quarter of 2018.
- Third-quarter non-interest expenses were up 2% year over year.
- At 51.2%, the third-quarter efficiency ratio improved from 52.7% in the third quarter of 2018.

Wealth Management

- Net income totalled $126 million in the third quarter of 2019, a 5% increase from $120 million in the third quarter of 2018.
- Third-quarter total revenues amounted to $437 million compared to $425 million in third quarter 2018, a $12 million or 3% increase driven mainly by growth in fee-based revenues.
- Third-quarter non-interest expenses stood at $267 million, up 2% from $262 million in the third quarter of 2018.
- At 61.1%, the efficiency ratio improved from 61.6% in the third quarter of 2018.

Financial Markets

- Net income totalled $182 million in the third quarter of 2019, a 2% increase from $178 million in the third quarter of 2018.
- Third-quarter total revenues on a taxable equivalent basis(1) amounted to $441 million, a $25 million or 6% year-over-year increase attributable mainly to the global markets revenue category.
- Third-quarter non-interest expenses stood at $183 million compared to $171 million in the third quarter of 2018.
- At 41.5%, the third-quarter efficiency ratio on a taxable equivalent basis(1) compares to 41.1% in the third quarter of 2018.

U.S. Specialty Finance and International

- Net income totalled $69 million in the third quarter of 2019, a 28% increase from $54 million in the same quarter of 2018.
- Third-quarter total revenues amounted to $174 million, a $28 million year-over-year increase driven by revenue growth at the ABA Bank subsidiary.
- Third-quarter non-interest expenses stood at $69 million, a $5 million year-over-year increase attributable to the expansion of ABA Bank's banking network.

Other

- The *Other* heading posted a net loss of $46 million in the third quarter of 2019 versus a $33 million net loss in the same quarter of 2018.

Capital Management

- As at July 31, 2019, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 11.7%, stable compared to October 31, 2018.
- As at July 31, 2019, the Basel III leverage ratio was 4.0%, stable compared to October 31, 2018.

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

Management's Discussion and Analysis

August 27, 2019

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in *National Instrument 51-102, Continuous Disclosure Obligations,* released by the Canadian Securities Administrators (CSA). It is based on the unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter and nine-month period ended July 31, 2019 and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the quarter and nine-month period ended July 31, 2019 and with the *2018 Annual Report*. All amounts are presented in Canadian dollars. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

Financial Reporting Method 4
Highlights 6
Economic Review and Outlook 7
Financial Analysis 8
- Consolidated Results 8
- Results by Segment 11
- Consolidated Balance Sheet 16
- Disposal 17
- Exposures to Certain Activities 17
- Related Party Transactions 17
- Securitization and Off-Balance-Sheet Arrangements 18
- Income Taxes 18
- Contingent Liabilities 18

Capital Management 19
Risk Management 25
Risk Disclosures 38
Accounting Policies and Financial Disclosure 39
- Accounting Policies and Critical Accounting Estimates 39
- Future Accounting Policy Changes 39
- Financial Disclosure 39

Quarterly Financial Information 40

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Economic Review and Outlook section of this *Report to Shareholders* and in the Major Economic Trends section of the *2018 Annual Report*, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2019 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2019 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 52 of the *2018 Annual Report*, 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; and potential disruptions to the Bank's information technology systems, including evolving cyber attack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the *2018 Annual Report*. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

Financial Reporting Method

As stated in Note 2 to its audited annual consolidated financial statements for the year ended October 31, 2018, the Bank adopted IFRS 15 on November 1, 2018. As permitted by IFRS 15, the Bank did not restate comparative consolidated financial statements, and Note 2 to these consolidated financial statements presents the impact of IFRS 15 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2018. Since interim consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2018.

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

Non-GAAP Financial Measures

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

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

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended July 31			Nine months ended July 31		
	2019	2018	% Change	**2019**	2018	% Change
Net income excluding specified items[1]						
Personal and Commercial	**277**	250	11	**757**	695	9
Wealth Management	**126**	120	5	**369**	346	7
Financial Markets	**182**	178	2	**512**	572	(10)
U.S. Specialty Finance and International	**69**	54	28	**201**	167	20
Other	**(48)**	(33)		**(123)**	(114)	
Net income excluding specified items	**606**	569	7	**1,716**	1,666	3
Gain on disposal of Fiera Capital shares[2]	**68**	–		**68**	–	
Gain on disposal of premises and equipment[3]	**43**	–		**43**	–	
Remeasurement at fair value of an investment[4]	**(27)**	–		**(27)**	–	
Impairment losses on premises and equipment and on intangible assets[5]	**(42)**	–		**(42)**	–	
Provisions for onerous contracts[6]	**(33)**	–		**(33)**	–	
Other[7]	**(7)**	–		**(7)**	–	
Net income	**608**	569	7	**1,718**	1,666	3
Diluted earnings per share excluding specified items	**$ 1.66**	$ 1.52	9	**$ 4.67**	$ 4.42	6
Gain on disposal of Fiera Capital shares[2]	**0.20**	–		**0.20**	–	
Gain on disposal of premises and equipment[3]	**0.12**	–		**0.12**	–	
Remeasurement at fair value of an investment[4]	**(0.08)**	–		**(0.08)**	–	
Impairment losses on premises and equipment and on intangible assets[5]	**(0.12)**	–		**(0.12)**	–	
Provisions for onerous contracts[6]	**(0.10)**	–		**(0.10)**	–	
Other[7]	**(0.02)**	–		**(0.02)**	–	
Diluted earnings per share	**$ 1.66**	$ 1.52	9	**$ 4.67**	$ 4.42	6
Return on common shareholders' equity						
Including specified items	**18.7 %**	18.4 %		**17.9 %**	18.5 %	
Excluding specified items	**18.6 %**	18.4 %		**17.9 %**	18.5 %	

(1) For the quarter and nine-month period ended July 31, 2018, certain amounts have been reclassified, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.

(2) During the quarter ended July 31, 2019, following the Bank's disposal of a portion of its investment in Fiera Capital Corporation (Fiera Capital), a gain on disposal of $79 million ($68 million net of income taxes), including a gain of $31 million ($27 million net of income taxes) upon remeasurement at fair value of the retained interest, was recorded in the *Other* heading of segment results.

(3) During the quarter ended July 31, 2019, the Bank completed the sale of its head office land and building located at 600 De La Gauchetière West, Montreal, Quebec, Canada, for gross proceeds of $187 million, and a gain on disposal of premises and equipment of $50 million ($43 million net of income taxes) was recorded in the *Other* heading of segment results.

(4) During the quarter ended July 31, 2019, the Bank remeasured at fair value its investment in NSIA Participations (NSIA) and recorded a loss of $33 million ($27 million net of income taxes) in the *Other* heading of segment results.

(5) During the quarter ended July 31, 2019, the Bank recorded $57 million ($42 million net of income taxes) in impairment losses on premises and equipment and on intangible assets related to computer equipment and technology developments in the *Other* heading of segment results.

(6) During the quarter ended July 31, 2019, the Bank reviewed all of its corporate building leases and recorded a provision for onerous contracts of $45 million ($33 million net of income taxes) in the *Other* heading of segment results.

(7) During the quarter ended July 31, 2019, following an optimization of certain organizational structures, the Bank recorded $10 million ($7 million net of income taxes) in severance pay in the *Other* heading of segment results.

Highlights

(millions of Canadian dollars, except per share amounts)	Quarter ended July 31			Nine months ended July 31		
	2019	2018	% Change	2019	2018	% Change
Operating results						
Total revenues	**1,948**	1,792	9	**5,517**	5,352	3
Net income	**608**	569	7	**1,718**	1,666	3
Net income attributable to the Bank's shareholders	**591**	546	8	**1,666**	1,595	4
Return on common shareholders' equity	**18.7 %**	18.4 %		**17.9 %**	18.5 %	
Earnings per share						
Basic	**$ 1.68**	$ 1.54	9	**$ 4.71**	$ 4.48	5
Diluted	**1.66**	1.52	9	**4.67**	4.42	6
Operating results on a taxable equivalent basis and excluding specified items[1]						
Total revenues on a taxable equivalent basis and excluding specified items	**1,946**	1,854	5	**5,658**	5,537	2
Net income excluding specified items	**606**	569	7	**1,716**	1,666	3
Return on common shareholders' equity excluding specified items	**18.6 %**	18.4 %		**17.9 %**	18.5 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	**53.5 %**	54.5 %		**54.7 %**	54.7 %	
Earnings per share excluding specified items[1]						
Basic	**$ 1.67**	$ 1.54	8	**$ 4.70**	$ 4.48	5
Diluted	**1.66**	1.52	9	**4.67**	4.42	6
Common share information						
Dividends declared	**$ 0.68**	$ 0.62		**$ 1.98**	$ 1.82	
Book value	**36.12**	33.91		**36.12**	33.91	
Share price						
High	**64.16**	64.29		**64.16**	65.35	
Low	**60.71**	61.26		**54.97**	58.69	
Close	**63.88**	63.77		**63.88**	63.77	
Number of common shares *(thousands)*	**334,210**	337,441		**334,210**	337,441	
Market capitalization	**21,349**	21,519		**21,349**	21,519	

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018	% Change
Balance sheet and off-balance-sheet			
Total assets	**276,312**	262,471	5
Loans and acceptances, net of allowances	**151,348**	146,082	4
Deposits	**187,219**	170,830	10
Equity attributable to common shareholders	**12,070**	11,526	5
Assets under administration and under management	**557,858**	485,080	15
Regulatory ratios under Basel III			
Capital ratios			
Common Equity Tier 1 (CET1)	**11.7 %**	11.7 %	
Tier 1	**15.2 %**	15.5 %	
Total	**16.3 %**	16.8 %	
Leverage ratio	**4.0 %**	4.0 %	
Liquidity coverage ratio (LCR)	**154 %**	147 %	
Other information			
Number of employees – Worldwide	**24,881**	23,450	6
Number of branches in Canada	**429**	428	–
Number of banking machines in Canada	**940**	937	–

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Economic Review and Outlook

Global Economy

In a context of intensifying global uncertainty, financial markets have been volatile. In August, the trade war between the United States and China escalated with Washington opting to impose further tariffs on imports of Chinese goods. Meanwhile, growing tensions between the United States and Iran sent oil prices on a roller coaster ride. In the United Kingdom, the nomination of Boris Johnson as the new prime minister raised the probability of the country leaving the European Union on October 31, 2019 without a deal. News was not much better on the economic front, with the trade war disrupting supply chains and weighing on factory output worldwide. GDP growth decelerated in China and the eurozone as industrial production slowed markedly. In the U.S., factories are also struggling, but consumption spending is helping support growth thanks in part to a solid labour market. Things could have been worse for the world economy were it not for services-producing industries, which, for now, are helping offset the factory slump. Major central banks have taken the opportunity offered by relatively low inflation to further loosen monetary policy to support growth. In July, the Federal Reserve cut interest rates for the first time in a decade and signalled it would deliver additional stimulus to steepen the currently inverted yield curve. The European Central Bank went a step further by signalling it may restart quantitative easing in addition to cutting rates even deeper into negative territory. Those measures should help maintain global GDP growth at a level of at least 3.1% in 2019(1). At this point, it's difficult to see much of an improvement in 2020 unless we see a paradigm shift by world governments away from growth-restraining policies such as protectionism and towards growth-enhancing measures such as major fiscal stimulus and reforms.

Canadian Economy

The Canadian economy is now back in the saddle thanks to a rebound in exports, a stabilization in the housing market, and a return of oil production after previously mandated cuts. But because of the difficult start to the year, 2019 GDP growth is expected to come in at roughly 1.4%(1), or below the estimated potential. Employment creation has surpassed expectations in the first seven months of the year with the largest increase in private sector jobs since 2011. Related income gains have supported housing and consumption spending. Those two drivers of growth, however, are expected to take a breather amid the heavier debt load of households and as job creation returns to more sustainable levels. While the escalation of the U.S.-China trade war presents new risks, Canadian exporters have reason to be optimistic amid still-strong U.S. demand, a persistently weak Canadian dollar, and an opening up of new markets via the Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). As such, business investment could potentially improve from here, more so considering accelerated depreciation measures implemented by the federal government and some provincial governments. With the annual core inflation rate right on its 2% target, the Bank of Canada won't be as aggressive as the Federal Reserve in loosening monetary policy, unless of course financial conditions deteriorate enough as to jeopardize the outlook for the rest of the year and 2020.

Quebec Economy

The Quebec economy continues to grow at a relatively brisk pace. GDP has been expanding for eight consecutive months, the best performance since data recording in 1997. Accommodative monetary policy and fiscal stimulus are helping stimulate the domestic economy and labour market. More than 63,000 net new jobs have been created in the province so far in 2019, the best showing since 2007. Most of these new positions are concentrated in full-time employment and in the private sector. In July, the employment-to-population ratio for people aged 15-64 stood at a record 76.5%, two points above the national average and more than five points above that in the U.S. Tight labour market conditions with a record low unemployment rate (4.9%) are sustaining growth in labour income. Hourly wages for permanent workers were up 6.4% from year-ago levels in July, versus 4.5% for the national average. Household formation and rising disposable income are supporting activity in the residential sector: home sales are on track to establish a new record in 2019. Importantly, housing affordability remains above the national average. Mindful of geopolitical tensions, the Bank sees Quebec economy growing 2.2% in 2019 (compared to 1.4% for Canada)(1). As in Canada, this outlook is subject to revision if geopolitical tensions abate.

(1) GDP growth expectations, Economics group of National Bank Financial

Financial Analysis

Consolidated Results

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2019	2018	% Change	**2019**	2018	% Change
Operating results						
Net interest income	**855**	837	2	**2,660**	2,556	4
Non-interest income	**1,093**	955	14	**2,857**	2,796	2
Total revenues	**1,948**	1,792	9	**5,517**	5,352	3
Non-interest expenses	**1,154**	1,011	14	**3,206**	3,027	6
Contribution	**794**	781	2	**2,311**	2,325	(1)
Provisions for credit losses	**86**	76	13	**258**	254	2
Income before income taxes	**708**	705	–	**2,053**	2,071	(1)
Income taxes	**100**	136	(26)	**335**	405	(17)
Net income	**608**	569	7	**1,718**	1,666	3
Diluted earnings per share *(dollars)*	**1.66**	1.52	9	**4.67**	4.42	6
Taxable equivalent basis(1)						
Net interest income	**58**	35		**138**	109	
Non-interest income	**36**	27		**99**	76	
Income taxes	**94**	62		**237**	185	
Impact of taxable equivalent basis on net income	**–**	–		**–**	–	
Specified items(1)						
Gain on disposal of Fiera Capital shares	**79**	–		**79**	–	
Gain on disposal of premises and equipment	**50**	–		**50**	–	
Remeasurement at fair value of an investment	**(33)**	–		**(33)**	–	
Impairment losses on premises and equipment and on intangible assets	**(57)**	–		**(57)**	–	
Provisions for onerous contracts	**(45)**	–		**(45)**	–	
Other	**(10)**	–		**(10)**	–	
Specified items before income taxes	**(16)**	–		**(16)**	–	
Income taxes on specified items	**(18)**	–		**(18)**	–	
Specified items after income taxes	**2**	–		**2**	–	
Operating results on a taxable equivalent basis and excluding specified items(1)						
Net interest income on a taxable equivalent basis	**913**	872	5	**2,798**	2,665	5
Non-interest income on a taxable equivalent basis and excluding specified items	**1,033**	982	5	**2,860**	2,872	–
Total revenues on a taxable equivalent basis and excluding specified items	**1,946**	1,854	5	**5,658**	5,537	2
Non-interest expenses excluding specified items	**1,042**	1,011	3	**3,094**	3,027	2
Contribution on a taxable equivalent basis and excluding specified items	**904**	843	7	**2,564**	2,510	2
Provisions for credit losses	**86**	76	13	**258**	254	2
Income before income taxes on a taxable equivalent basis and excluding specified items	**818**	767	7	**2,306**	2,256	2
Income taxes on a taxable equivalent basis and excluding specified items	**212**	198	7	**590**	590	–
Net income excluding specified items	**606**	569	7	**1,716**	1,666	3
Diluted earnings per share excluding specified items *(dollars)*	**1.66**	1.52	9	**4.67**	4.42	6
Average assets	**288,328**	265,592	9	**283,647**	265,291	7
Average loans and acceptances	**149,405**	140,644	6	**147,547**	138,223	7
Average deposits	**186,344**	167,588	11	**181,093**	166,023	9
Efficiency ratio on a taxable equivalent basis and excluding specified items(1)	**53.5 %**	54.5 %		**54.7 %**	54.7 %	

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Financial Results

For the third quarter of 2019, the Bank is reporting net income of $608 million, up $39 million or 7% from $569 million in the third quarter of 2018 as well as diluted earnings per share of $1.66, up 9% from $1.52 in the same quarter of 2018. These increases were driven by net income growth across all the business segments.

Net income excluding specified items totalled $606 million in the third quarter of 2019, up 7% from $569 million in the third quarter of 2018. Third-quarter diluted earnings per share excluding specified items stood at $1.66, a 9% increase from $1.52 in the same quarter of 2018. For the third quarter of 2019, the specified items, net of income taxes, include a $68 million gain on disposal of Fiera Capital shares, a $43 million gain on disposal of premises and equipment, a $27 million loss on the remeasurement at fair value of the Bank's investment in NSIA, $42 million in impairment losses on premises and equipment and on intangible assets, $33 million in provisions for onerous contracts, and $7 million in severance pay.

For the first nine months of 2019, the Bank's net income totalled $1,718 million, up $52 million or 3% from $1,666 million in the same period of 2018, and its nine-month diluted earnings per share stood at $4.67, up 6% from $4.42 in the same period of 2018. These nine-month increases were driven by net income growth of 9% in the Personal and Commercial segment, of 7% in the Wealth Management segment, and of 20% in the U.S. Specialty Finance and International (USSF&I) segment. However, a slowdown in financial markets activity during the first six months of 2019 affected the performance of the Financial Markets segment, whose nine-month net income declined 10% year over year. Nine-month net income excluding specified items totalled $1,716 million, a 3% increase from $1,666 million in the same period of 2018, and nine-month diluted earnings per share excluding specified items stood at $4.67 compared to $4.42 in the same period of 2018. For the nine-month period, the specified items in a net amount of $2 million, net of income taxes, are the same as those provided for the quarter.

Return on common shareholders' equity excluding specified items was 17.9% for the nine months ended July 31, 2019 compared to 18.5% in the same period of 2018.

Total Revenues

For the third quarter of 2019, the Bank's total revenues amounted to $1,948 million, rising $156 million year over year. The 2019 third-quarter total revenues include a $79 million gain on disposal of Fiera Capital shares, a $50 million gain on disposal of premises and equipment, and a $33 million loss arising from the remeasurement at fair value of the Bank's investment in NSIA. In addition, the Personal and Commercial segment's total revenues were up 5% owing to growth in loan and deposit volumes and to higher insurance revenues, the Wealth Management segment's total revenues were up 3% owing to growth in mutual fund revenues and trust service revenues, the Financial Markets segment's revenues were up 6% owing to an increase in global markets revenue, and the USSF&I segment's total revenues were up 19% owing essentially to revenue growth at the ABA Bank subsidiary. Total revenues on a taxable equivalent basis and excluding specified items amounted to $1,946 million in the third quarter of 2019, up 5% from $1,854 million in the third quarter of 2018.

For the nine months ended July 31, 2019, total revenues amounted to $5,517 million, up $165 million from $5,352 million in the same period of 2018. This increase was essentially due to the same factors as those provided for the quarter, except for the Financial Markets segment's revenues, which decreased year over year given a slowdown in financial markets activity during the first six months of 2019. The nine-month increase in total revenues was also driven by higher card revenues and higher net interest income in the Wealth Management segment arising from growth in loan and deposit volumes. Conversely, revenues from securities brokerage commissions were down given a decrease in transaction volume during the nine-month period ended July 31, 2019. Nine-month total revenues on a taxable equivalent basis and excluding specified items amounted to $5,658 million, up 2% from $5,537 million in the same period of 2018.

Non-Interest Expenses

For the third quarter of 2019, non-interest expenses stood at $1,154 million, up 14% from the third quarter of 2018. The 2019 third-quarter non-interest expenses include $57 million in impairment losses on premises and equipment and on intangible assets, $45 million in provisions for onerous contracts, and $10 million in severance pay. Other factors contributing to the increase in non-interest expenses were higher compensation and employee benefits, in particular compensation related to the expansion of ABA Bank's banking network, as well as higher technology investment expenses incurred as part of the Bank's transformation plan and for business development. Third-quarter non-interest expenses excluding specified items stood at $1,042 million, up 3% from $1,011 million in the third quarter of 2018.

For the nine months ended July 31, 2019, non-interest expenses stood at $3,206 million, up 6% year over year. The reasons for this increase are the same as those provided above for the third quarter. These increases were, however, tempered by a decrease in variable compensation attributable in part to the lower revenues generated by the Financial Markets segment. Non-interest expenses excluding specified items stood at $3,094 million for the nine months ended July 31, 2019, up 2% from $3,027 million in the same period of 2018.

Provisions for Credit Losses

For the third quarter of 2019, the Bank recorded $86 million in provisions for credit losses compared to $76 million in the same quarter of 2018. This increase was due to higher credit loss provisions on personal loans, credit card receivables, and loans in the Financial Markets segment. The credit loss provisions recorded for U.S. Specialty Finance and International loans were also up, essentially attributable to the Credigy subsidiary. These increases were tempered by a decrease in the credit loss provisions recorded for Commercial Banking loans, mainly due to provisions on impaired loans.

For the nine months ended July 31, 2019, the Bank recorded $258 million in provisions for credit losses, $4 million more than in the same period of 2018. This increase came mainly from higher credit loss provisions on loans in the Financial Markets segment, partly offset by lower credit loss provisions on loans in the USSF&I segment, essentially attributable to the Credigy subsidiary.

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 July 31, 2019, gross impaired loans excluding POCI loans stood at $674 million compared to $630 million as at October 31, 2018. Net impaired loans excluding POCI loans stood at $420 million as at July 31, 2019 compared to $404 million as at October 31, 2018, a $16 million increase attributable mainly to loans in the Financial Markets segment. Gross POCI loans stood at $1,260 million as at July 31, 2019, down from $1,576 million as at October 31, 2018 as a result of maturities and repayments of certain portfolios.

Income Taxes

For the third quarter of 2019, income taxes stood at $100 million compared to $136 million in the same quarter of 2018. The 2019 third-quarter effective tax rate was 14% compared to 19% in the same quarter of 2018. This change in effective tax rate was created mainly by a realization of capital gains taxed at a lower rate, by higher income from lower tax rate jurisdictions, and by a year-over-year increase in tax-exempt dividend income.

For the nine months ended July 31, 2019, the effective tax rate was 16% versus 20% in the same nine-month period of 2018. This change in effective tax rate was due to the same reasons as those provided for the quarter.

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 Corporate Treasury activities are grouped in the *Other* heading. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy.

Personal and Commercial

(millions of Canadian dollars)	Quarter ended July 31				Nine months ended July 31			
	2019		2018[1]	% Change	**2019**		2018[1]	% Change
Operating results								
Net interest income	**604**		581	4	**1,770**		1,688	5
Non-interest income	**287**		269	7	**806**		772	4
Total revenues	**891**		850	5	**2,576**		2,460	5
Non-interest expenses	**456**		448	2	**1,366**		1,336	2
Contribution	**435**		402	8	**1,210**		1,124	8
Provisions for credit losses	**57**		61	(7)	**178**		176	1
Income before income taxes	**378**		341	11	**1,032**		948	9
Income taxes	**101**		91	11	**275**		253	9
Net income	**277**		250	11	**757**		695	9
Net interest margin[2]	**2.23**	**%**	2.26 %		**2.23**	**%**	2.24 %	
Average interest-bearing assets	**107,308**		102,065	5	**106,259**		100,663	6
Average assets	**113,132**		107,539	5	**112,064**		105,970	6
Average loans and acceptances	**112,629**		107,240	5	**111,551**		105,635	6
Net impaired loans[3]	**370**		398	(7)	**370**		398	(7)
Net impaired loans[3] as a % of average loans and acceptances	**0.3**	**%**	0.4 %		**0.3**	**%**	0.4 %	
Average deposits	**63,185**		59,240	7	**61,814**		57,477	8
Efficiency ratio	**51.2**	**%**	52.7 %		**53.0**	**%**	54.3 %	

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

In the Personal and Commercial segment, net income totalled $277 million in the third quarter of 2019, up 11% from $250 million in the third quarter of 2018. The segment's third-quarter total revenues increased by $41 million or 5% year over year owing to growth in net interest income, which rose $23 million, as well as to growth in non-interest income, which rose $18 million. The increase in net interest income was driven by higher personal and commercial loan and deposit volumes. This growth was tempered by a narrowing of the net interest margin, which was 2.23% in the third quarter of 2019 versus 2.26% in the third quarter of 2018, a decrease arising mainly from loan margins.

Personal Banking's third-quarter total revenues rose $33 million year over year. This growth was mostly due to higher net interest income, attributable to growth in loan and deposit volumes, as well as to an increase in insurance revenues owing to a revision to actuarial reserves. As for Commercial Banking's third-quarter total revenues, they rose $8 million due to higher net interest income driven by growth in loan and deposit volumes, by higher bankers' acceptance revenues, and by higher derivative financial instrument revenues.

For the third quarter of 2019, Personal and Commercial's non-interest expenses were up $8 million year over year, mainly due to an increase in operations support charges arising from the segment's initiatives. At 51.2%, the third-quarter efficiency ratio improved by 1.5 percentage points when compared to the third quarter of 2018. The segment's third-quarter provisions for credit losses stood at $57 million, a $4 million year-over-year decrease that was mainly due to lower provisions on Commercial Banking impaired loans, tempered by an increase in provisions on personal loans and on credit card receivables.

For the nine months ended July 31, 2019, the Personal and Commercial segment posted net income of $757 million, up 9% from $695 million in the same nine-month period of 2018. The segment's nine-month total revenues grew 5% year over year. The growth in Personal Banking's nine-month total revenues was due to the same reasons as those provided for the quarter as well as to an increase in card revenues. The growth in Commercial Banking's total revenues was due to the same reasons as those provided for the quarter. For the nine months ended July 31, 2019, the segment's non-interest expenses rose $30 million year over year, mainly due to increases in operations support charges, compensation and employee benefits, and technology investment expenses. The segment's nine-month contribution increased $86 million or 8%. At 53.0% for the nine months ended July 31, 2019, the efficiency ratio improved by 1.3 percentage points versus the same nine-month period of 2018. The nine-month provisions for credit losses were up $2 million compared to the same period in 2018, mainly due to higher credit loss provisions on commercial loans and on credit card receivables, tempered by lower provisions on personal loans.

Wealth Management

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2019	2018[1]	% Change	2019	2018[1]	% Change
Operating results						
Net interest income	**115**	114	1	**355**	331	7
Fee-based revenues	**259**	248	4	**751**	736	2
Transaction-based and other revenues	**63**	63	–	**191**	195	(2)
Total revenues	**437**	425	3	**1,297**	1,262	3
Non-interest expenses	**267**	262	2	**798**	791	1
Contribution	**170**	163	4	**499**	471	6
Provisions for credit losses	**–**	–		**–**	1	
Income before income taxes	**170**	163	4	**499**	470	6
Income taxes	**44**	43	2	**130**	124	5
Net income	**126**	120	5	**369**	346	7
Average assets	**6,146**	6,187	(1)	**6,265**	6,104	3
Average loans and acceptances	**4,855**	4,784	1	**4,865**	4,651	5
Net impaired loans[2]	**2**	1		**2**	1	
Average deposits	**31,916**	31,065	3	**32,511**	31,068	5
Assets under administration and under management	**557,858**	496,096	12	**557,858**	496,096	12
Efficiency ratio	**61.1 %**	61.6 %		**61.5 %**	62.7 %	

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

In the Wealth Management segment, net income totalled $126 million in the third quarter of 2019, a 5% increase from $120 million in the same quarter of 2018. The segment's third-quarter total revenues amounted to $437 million, up $12 million or 3% from $425 million in the third quarter of 2018. This increase was mainly driven by higher fee-based revenues, which rose 4% owing to growth in assets under administration and under management resulting from stock market growth during the third quarter of 2019. Net interest income was relatively stable owing to growth in loan and deposit volumes, tempered by lower deposit margins.

For the third quarter of 2019, the segment's non-interest expenses stood at $267 million, a 2% year-over-year increase that was driven mainly by higher compensation and employee benefits and by higher operations support charges. At 61.1%, the third-quarter efficiency ratio improved by 0.5 percentage points when compared to the third quarter of 2018. The segment's provisions for credit losses were nil in the third quarters of both 2019 and 2018.

For the first nine months of 2019, the Wealth Management segment's net income totalled $369 million, up 7% from $346 million in the same period of 2018. The segment's total revenues amounted to $1,297 million for the nine months ended July 31, 2019, up 3% from $1,262 million in the same period of 2018. The nine-month net interest income was up 7% owing to growth in loan and deposit volumes, and fee-based revenues were up owing to growth in assets under administration and under management. Nine-month transaction-based and other revenues were down 2% year over year, essentially due to a decrease in transaction volume. Nine-month non-interest expenses stood at $798 million compared to $791 million in the same period of 2018, for an increase resulting from higher operations support charges arising from the segment's initiatives. At 61.5%, the nine-month efficiency ratio improved from 62.7% in the same nine-month period of 2018.

Assets under administration and under management increased by $61.8 billion or 12% from a year ago, mainly due to net inflows into various solutions and to stock market growth.

Financial Markets

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

	Quarter ended July 31			Nine months ended July 31		
	2019	2018[2]	% Change	**2019**	2018[2]	% Change
Operating results						
Global markets						
Equities	**165**	135	22	**426**	435	(2)
Fixed-income	**79**	53	49	**210**	202	4
Commodities and foreign exchange	**25**	28	(11)	**102**	101	1
	269	216	25	**738**	738	–
Corporate and investment banking	**174**	198	(12)	**523**	548	(5)
Gains on investments and other	**(2)**	2		**(6)**	21	
Total revenues on a taxable equivalent basis	**441**	416	6	**1,255**	1,307	(4)
Non-interest expenses	**183**	171	7	**537**	523	3
Contribution on a taxable equivalent basis	**258**	245	5	**718**	784	(8)
Provisions for credit losses	**10**	2		**20**	4	
Income before income taxes on a taxable equivalent basis	**248**	243	2	**698**	780	(11)
Income taxes on a taxable equivalent basis	**66**	65	2	**186**	208	(11)
Net income	**182**	178	2	**512**	572	(10)
Average assets	**116,601**	99,067	18	**110,218**	101,644	8
Average loans and acceptances	**16,706**	15,667	7	**16,448**	14,817	11
Net impaired loans[3]	**33**	–		**33**	–	
Average deposits	**29,991**	23,525	27	**28,626**	22,928	25
Efficiency ratio on a taxable equivalent basis[1]	**41.5 %**	41.1 %		**42.8 %**	40.0 %	

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

In the Financial Markets segment, net income totalled $182 million in the third quarter of 2019 compared to $178 million in the same quarter of 2018, and total revenues on a taxable equivalent basis amounted to $441 million, rising 6% from $416 million in the third quarter of 2018. Third-quarter global markets revenues grew 25% year over year, as revenues from equity securities and from fixed-income securities were up 22% and 49%, respectively, whereas revenues from commodities and foreign exchange activities were down 11%. Third-quarter revenues from corporate and investment banking services were down 12% compared to the third quarter of 2018 as higher revenues from banking services and merger and acquisition activity was more than offset by a decrease in share issuance transactions.

Third-quarter non-interest expenses stood at $183 million, a 7% year-over-year increase that was due to higher variable compensation resulting from revenue growth, technology investment expenses, and operations support charges. At 41.5%, the efficiency ratio on a taxable equivalent basis compares to 41.1% in the third quarter of 2018. The segment's third-quarter provisions for credit losses stood at $10 million compared to $2 million in the third quarter of 2018, an increase that stems mainly from provisions on impaired loans.

For the nine months ended July 31, 2019, the segment posted net income of $512 million, down 10% year over year. Total revenues on a taxable equivalent basis amounted to $1,255 million versus $1,307 million for the nine months ended July 31, 2018. Nine-month global markets revenues remained stable when compared to the same period of 2018. Nine-month revenues from fixed-income securities and from commodity and foreign exchange activities grew 4% and 1%, respectively, tempered by a decrease in revenues from equity securities. Nine-month revenues from corporate and investment banking services were down 5% year over year. Lastly, the gains on investments and other item was higher during the nine-month period ended July 31, 2018.

For the nine months ended July 31, 2019, non-interest expenses rose $14 million or 3% year over year due to higher technology investment expenses, operations support charges, and other expenses, tempered by a decrease in variable compensation resulting from lower revenues during the nine months ended July 31, 2019. The segment's nine-month efficiency ratio on a taxable equivalent basis was 42.8% compared to 40.0% in the same period of 2018. The segment recorded $20 million in provisions for credit losses during the nine-month period ended July 31, 2019 compared to $4 million during the same nine-month period of 2018, an increase that stems essentially from credit loss provisions on impaired loans.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2019	2018	% Change	2019	2018	% Change
Total revenues						
Credigy	95	100	(5)	307	346	(11)
ABA Bank	79	47	68	213	135	58
International	–	(1)		3	–	
	174	146	19	523	481	9
Non-interest expenses						
Credigy	36	40	(10)	114	118	(3)
ABA Bank	33	24	38	95	66	44
International	–	–		2	2	
	69	64	8	211	186	13
Contribution	105	82	28	312	295	6
Provisions for credit losses						
Credigy	15	9	67	50	63	(21)
ABA Bank	4	3	33	10	9	11
	19	12	58	60	72	(17)
Income before income taxes	86	70	23	252	223	13
Income taxes	17	16	6	51	56	(9)
Net income	69	54	28	201	167	20
Non-controlling interests	11	10	10	33	30	10
Net income attributable to the Bank's shareholders	58	44	32	168	137	23
Average assets	10,972	9,233	19	10,674	9,037	18
Average loans and receivables	8,769	7,637	15	8,763	7,730	13
Net impaired loans – Stage 3[1]	15	14	7	15	14	7
Purchased or originated credit-impaired (POCI) loans	1,260	1,333	(5)	1,260	1,333	(5)
Average deposits	3,665	2,007	83	3,220	1,778	81
Efficiency ratio	39.7 %	43.8 %		40.3 %	38.7 %	

(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 U.S. Specialty Finance and International segment, net income totalled $69 million in the third quarter of 2019, a 28% increase from $54 million in the same quarter of 2018. The segment's third-quarter total revenues amounted to $174 million compared to $146 million in the third quarter of 2018. A 68% year-over-year increase in revenues at the ABA Bank subsidiary, driven by sustained loan and deposit volume growth, was tempered by lower year-over-year revenues at the Credigy subsidiary as a result of the loan portfolio mix.

For the third quarter of 2019, the segment's non-interest expenses stood at $69 million, a $5 million year-over-year increase attributable mainly to ABA Bank's growing banking network. The segment recorded $19 million in provisions for credit losses compared to $12 million in the same quarter of 2018, an increase that stems essentially from the credit loss provisions recorded by the Credigy subsidiary.

For the nine months ended July 31, 2019, the segment generated net income of $201 million compared to $167 million in the same nine-month period of 2018. Nine-month total revenues amounted to $523 million versus $481 million in the same period of 2018, a 9% increase owing to the same reasons as those provided for the quarter.

The segment's nine-month non-interest expenses stood at $211 million, a $25 million year-over-year increase related to the expansion of ABA Bank's banking network. As for the non-interest expenses of the Credigy subsidiary, they were down slightly. The segment recorded $60 million in provisions for credit losses for the nine months ended July 31, 2019, a $12 million year-over-year decrease that was mainly due to lower credit loss provisions recorded by the Credigy subsidiary following repayments and maturities of certain loan portfolios, whereas the credit loss provisions recorded by the ABA Bank subsidiary rose $1 million.

The segment's effective tax rate was down in the nine-month period ended July 31, 2019 versus the same nine-month period in 2018, as the U.S. tax reform resulted in a lower income tax rate for Credigy.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended July 31		Nine months ended July 31	
	2019	2018[2]	**2019**	2018[2]
Operating results				
Net interest income on a taxable equivalent basis	**(48)**	(56)	**(148)**	(129)
Non-interest income on a taxable equivalent basis	**147**	73	**251**	156
Total revenues on a taxable equivalent basis	**99**	17	**103**	27
Non-interest expenses	**179**	66	**294**	191
Contribution on a taxable equivalent basis	**(80)**	(49)	**(191)**	(164)
Provisions for credit losses	**–**	1	**–**	1
Income before income taxes on a taxable equivalent basis	**(80)**	(50)	**(191)**	(165)
Income taxes (recovery) on a taxable equivalent basis	**(34)**	(17)	**(70)**	(51)
Net loss	**(46)**	(33)	**(121)**	(114)
Non-controlling interests	**6**	13	**19**	41
Net loss attributable to the Bank's shareholders	**(52)**	(46)	**(140)**	(155)
Specified items after income taxes[1]	**(2)**	–	**(2)**	–
Net loss excluding specified items[1]	**(48)**	(33)	**(123)**	(114)
Average assets	**41,477**	43,566	**44,426**	42,536

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.
(2) For the quarter and nine-month period ended July 31, 2018, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of $46 million in the third quarter of 2019 compared to a net loss of $33 million in the same quarter of 2018. This change in net loss was partly due to a lower contribution from Treasury activities during the third quarter of 2019. The specified items recorded for the third quarter of 2019 had a $2 million favourable impact on the net income recorded in the *Other* heading of segment results. The third-quarter net loss excluding specified items was $48 million compared to a $33 million net loss in the same quarter of 2018.

Total revenues on a taxable equivalent basis were up, mainly due to the specified items recorded for the third quarter of 2019, which include a $79 million gain on disposal of Fiera Capital shares, a $50 million gain on disposal of premises and equipment, and a $33 million loss arising from the fair value remeasurement of the Bank's investment in NSIA. The third-quarter non-interest expenses were also up as a result of the following specified items: $57 million in impairment losses on premises and equipment and on intangible assets, $45 million in provisions for onerous contracts, and $10 million in severance pay.

For the nine months ended July 31, 2019, net loss stood at $121 million compared to a net loss of $114 million in the same nine-month period of 2018. This change in net loss was mainly due to the same reasons as those provided for the quarter. The specified items recorded for the nine-month period ended July 31, 2019 are the same as those provided for the quarter. As for the nine-month non-interest expenses excluding specified items, they were down due to decreases in compensation and employee benefits. The nine-month net loss excluding specified items was $123 million compared to a $114 million net loss in the same period of 2018.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018	% Change
Assets			
Cash and deposits with financial institutions	11,552	12,756	(9)
Securities	84,732	69,783	21
Securities purchased under reverse repurchase agreements and securities borrowed	13,928	18,159	(23)
Loans and acceptances, net of allowances	151,348	146,082	4
Other	14,752	15,691	(6)
	276,312	262,471	5
Liabilities and equity			
Deposits	187,219	170,830	10
Other	73,425	76,539	(4)
Subordinated debt	773	747	3
Equity attributable to the Bank's shareholders	14,520	13,976	4
Non-controlling interests	375	379	(1)
	276,312	262,471	5

Assets

As at July 31, 2019, the Bank had total assets of $276.3 billion compared to $262.5 billion as at October 31, 2018, a $13.8 billion or 5% increase. Cash and deposits with financial institutions, totalling $11.6 billion as at July 31, 2019, decreased $1.2 billion or 9% since October 31, 2018, mainly due to deposits with financial institutions, particularly deposits with the U.S. Federal Reserve. Securities rose $14.9 billion since October 31, 2018, essentially due to an $11.6 billion or 21% increase in securities at fair value through profit or loss, attributable to a $14.5 billion increase in equity securities and to a $5.3 billion increase in securities issued or guaranteed by the U.S. Treasury, other U.S. agencies and other foreign governments. These increases were tempered by a $3.7 billion decrease in securities issued or guaranteed by the Canadian government and a $3.6 billion decrease in securities issued or guaranteed by Canadian provincial and municipal governments. Securities other than those measured at fair value through profit or loss were up $3.3 billion, essentially due to a $1.4 billion increase in securities issued or guaranteed by the Canadian government and to a $2.3 billion increase in securities issued or guaranteed by the U.S. Treasury, other U.S. agencies, and other foreign governments. Securities purchased under reverse repurchase agreements and securities borrowed decreased by $4.3 billion, mainly related to the activities of the Financial Markets segment.

Totalling $151.3 billion as at July 31, 2019, loans and acceptances, net of allowances, rose $5.2 billion since October 31, 2018. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018	As at July 31, 2018
Loans and acceptances			
Residential mortgage and home equity lines of credit	78,744	75,773	74,446
Personal	14,185	15,235	14,744
Credit card	2,322	2,325	2,285
Business and government	56,784	53,407	52,019
	152,035	146,740	143,494
Allowances for credit losses	(687)	(658)	(658)
	151,348	146,082	142,836

Since October 31, 2018, residential mortgage loans (including home equity lines of credit) rose $2.9 billion or 4%, personal loans were down $1.0 billion (partly due to Credigy's activities), credit card receivables remained stable, and loans and acceptances to business and government were up $3.4 billion or 6% owing to growth in Commercial Banking activities. When compared to July 31, 2018, loans and acceptances grew $8.5 billion or 6% and residential mortgages (including home equity lines of credit) were up $4.3 billion or 6% 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 3%, whereas credit card receivables were up 2%, and loans and acceptances to businesses and governments grew $4.8 billion or 9% driven by the activities of Commercial Banking and of the Financial Markets segment.

Liabilities

As at July 31, 2019, the Bank had total liabilities of $261.4 billion compared to $248.1 billion as at October 31, 2018.

The Bank's total deposit liability stood at $187.2 billion as at July 31, 2019 compared to $170.8 billion as at October 31, 2018, a $16.4 billion increase arising essentially from growth in business and government deposits. The table on the following page provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018	As at July 31, 2018
Balance sheet			
Deposits	**58,951**	55,688	54,277
Off-balance-sheet			
Brokerage	**134,510**	123,458	127,945
Mutual funds	**36,353**	31,874	33,741
Other	**305**	440	453
	171,168	155,772	162,139
Total personal savings	**230,119**	211,460	216,416

As at July 31, 2019, personal deposits stood at $59.0 billion, rising $3.3 billion since October 31, 2018. Since July 31, 2018, personal deposits rose 9%, essentially due to the Bank's initiatives to increase this type of deposit as well as to growth at the ABA Bank subsidiary. As at July 31, 2019, total personal savings amounted to $230.1 billion, up from $211.5 billion as at October 31, 2018 and from $216.4 billion as at July 31, 2018. Overall, off-balance-sheet personal savings stood at $171.2 billion as at July 31, 2019, rising $9.1 billion or 6% from a year ago given net inflows in brokerage operations and growth in stock markets.

At $123.7 billion as at July 31, 2019, business and government deposits rose $13.4 billion since October 31, 2018, essentially due to Treasury activities (including $2.2 billion in deposits subject to bank recapitalization (bail-in) conversion regulations), corporate financing activities, and issuances of structured notes. Other liabilities stood at $73.4 billion as at July 31, 2019, declining 4% since October 31, 2018 due to a $3.9 billion decrease in obligations related to securities sold short.

Equity

As at July 31, 2019, equity attributable to the Bank's shareholders was $14.5 billion, rising $0.5 billion from October 31, 2018. This increase came essentially from net income net of dividends, tempered by remeasurements of pension plans and other post-employment benefit plans, by a net change in gains (losses) on cash flow hedges, and by repurchases of common shares for cancellation, factors which themselves were partly offset by issuances of common shares under the Stock Option Plan and the impact of shares purchased or sold for trading.

Disposal

On May 9, 2019, through one of its subsidiaries, the Bank disposed of 10,680,000 Class A subordinate voting shares of Fiera Capital Corporation (Fiera Capital) at a per-share price of $12.00 for gross proceeds of $128 million. Before the transaction, the Bank's investment in Fiera Capital stood at 18% and was accounted for using the equity method. After the transaction, the Bank's ownership percentage stands at 7%. A gain on disposal of Fiera Capital shares of $79 million ($68 million net of income taxes), including a gain on remeasurement at fair value of the retained interest of $31 million ($27 million net of income taxes) has been recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income for the quarter ended July 31, 2019 and reported in the *Other* heading of segment results. After the transaction, the Bank designated the 7% retained interest as a financial asset measured at fair value through other comprehensive income.

Exposures to Certain Activities

The recommendations made by the Financial Stability Board's Enhanced Disclosure Task Force (EDTF) seek to enhance the transparency and measurement of certain exposures, in particular structured entities, subprime and Alt-A exposures, collateralized debt obligations, residential and commercial mortgage-backed securities, and leveraged financing structures. The Bank does not market any specific mortgage financing program to subprime or Alt-A clients. Alt-A loans are granted to borrowers who cannot provide standard proof of income. The Bank's Alt-A loan volume was $403 million as at July 31, 2019 ($425 million as at October 31, 2018). The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the CMHC. Credit derivative positions are presented in the *Supplementary Regulatory Capital and Pillar 3 Disclosure* report, which is available on the Bank's website at nbc.ca.

Leveraged finance is commonly employed to achieve a specific objective, for example, to make an acquisition, complete a buy-out or repurchase shares. Leveraged finance risk exposure takes the form of both funded and unfunded commitments. As at July 31, 2019, total commitments for this type of loan stood at $3,643 million ($2,967 million as at October 31, 2018). Details about other exposures are provided in the table on structured entities in Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Related Party Transactions

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

Securitization and Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to various financial arrangements that, under IFRS, are not required to be recorded on the Consolidated Balance Sheet or are recorded at amounts other than their notional or contractual values. These arrangements include, among others, transactions with structured entities, derivative financial instruments, issuances of guarantees, credit instruments, and financial assets received as collateral. A complete analysis of these types of arrangements, including their nature, business purpose and importance, is provided on pages 41 and 42 of the *2018 Annual Report*.

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

Income Taxes

In June 2019, the Bank was reassessed by the Canada Revenue Agency (CRA) for additional income tax and interest of approximately $150 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2014.

In prior fiscal years, the Bank was reassessed for additional income tax and interest of approximately $220 million (including provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2013 and 2012 taxation years.

The transactions to which the above-mentioned reassessments relate are similar to those prospectively addressed by income tax legislation enacted as a result of the 2015 Canadian federal budget.

The CRA may issue reassessments to the Bank for taxation years subsequent to 2014 in regard to activities similar to those that were the subject of the reassessments described above. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements as at July 31, 2019.

Contingent Liabilities

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

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

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

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

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

Capital Management

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

Basel Accord

The Bank and all other major Canadian banks must maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5%, and a Total capital ratio of at least 11.5%. All of these ratios are to include a capital conservation buffer of 2.5% (set by the Basel Committee on Banking Supervision (BCBS) and OSFI) and a 1% surcharge (set by OSFI) applicable to Domestic Systemically Important Banks (D-SIBs). The banks also have to meet the revised capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. In addition, during the year ended October 31, 2018, OSFI introduced a domestic stability buffer (the buffer) applicable to D-SIBs. The buffer level varies between 0% and 2.5% of risk-weighted assets and stood at 1.75% as at July 31, 2019. A D-SIB that fails to meet the buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. OSFI has also been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

In addition to those measures, OSFI is requiring that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. Instruments issued before January 1, 2013 that would be Basel III compliant if not for the absence of the NVCC clause are grandfathered and will be phased out over a period of ten years. The Bank expects to phase out all of its non-NVCC instruments without resorting to any regulatory event redemption 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 23.25% (including the domestic stability buffer) of risk-weighted assets and a minimum TLAC leverage ratio of 6.75% by November 1, 2021. During the quarter ended April 30, 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 July 31, 2019
	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	Minimum set by OSFI[1]	Domestic stability buffer[2]	Minimum set by OSFI[1], including the buffer
Capital ratios							
CET1	4.5 %	2.5 %	7.0 %	1.0 %	8.0 %	1.75 %	9.75 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	9.5 %	1.75 %	11.25 %
Total	8.0 %	2.5 %	10.5 %	1.0 %	11.5 %	1.75 %	13.25 %
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 June 4, 2019, OSFI raised the buffer level such that it will be 2.0% starting October 31, 2019.

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

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

Regulatory Developments

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

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

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

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

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

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

On April 10, 2019, OSFI released the final version of its B-2 guideline, *Large Exposure Limits for Domestic Systemically Important Banks*. Large exposure limits help to restrict the maximum loss that an institution could face in the event of a sudden failure of a counterparty. This new version of the B-2 guideline tightens exposures limits applicable to Global Systemically Important Banks (G-SIBs) and to other Canadian D-SIBs. It recognizes eligible credit risk mitigation techniques by measuring exposures on a net basis rather than a gross basis, and it reduces the eligible capital base by replacing Total capital with Tier 1 capital. All D-SIBs are expected to comply with the B-2 guideline for the period beginning November 1, 2019.

On May 30, 2019, OSFI released a revised version of its B-12 guideline, *Interest Rate Risk Management*. The guideline outlines OSFI's expectations regarding the management of Interest Rate Risk in the Banking Book (IRRBB) in areas such as governance processes, risk measurement, development of stress test scenarios as well as key behavioural and modelling assumptions. D-SIBs will have to apply this revised guideline as of January 1, 2020.

On June 26, 2019, the BCBS finalized revisions to the leverage ratio's treatment of client-cleared derivatives and to disclosure requirements in order to address concerns about balance sheet window-dressing. The treatment of client-cleared derivatives was revised to align the leverage ratio measurement with the measurement determined by the SA-CCR rules as used for risk-based capital requirements. The revision to *Revisions to Leverage Ratio Disclosure Requirements* aims to alleviate leverage ratio balance sheet window-dressing concerns. Internationally active banks will be required to disclose their leverage ratios based on quarter-end values and on an average of daily values for securities financing transactions. These revisions will come into effect on January 1, 2022.

Management Activities

During the nine-month period ended July 31, 2019, the Bank repurchased 3,547,200 common shares for $215 million, which reduced *Common share* capital by $31 million and *Retained earnings* by $184 million. The repurchase of 2,347,200 common shares (of which 300,000 common shares during the quarter ended July 31, 2019) was part of the normal course issuer bid to repurchase for cancellation program that the Bank had launched on June 6, 2018 and that ended on June 5, 2019; under this program, the Bank repurchased a total of 6,847,200 common shares. On June 10, 2019, the Bank began a new 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 quarter ended July 31, 2019, the Bank repurchased 1,200,000 common shares under this new program.

Shares and Stock Options

	As at July 31, 2019	
	Number of shares	$ million
First preferred shares		
Series 30	14,000,000	350
Series 32	12,000,000	300
Series 34	16,000,000	400
Series 36	16,000,000	400
Series 38	16,000,000	400
Series 40	12,000,000	300
Series 42	12,000,000	300
	98,000,000	2,450
Common shares	334,210,123	2,914
Stock options	13,107,629	

As at August 23, 2019, there were 334,217,386 common shares and 13,099,501 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 724,344,000 Bank common shares, which would have a 68.4% dilutive effect based on the number of Bank common shares outstanding as at July 31, 2019.

Movement in Regulatory Capital

(millions of Canadian dollars)	Nine months ended July 31, 2019
Common Equity Tier 1 (CET1) capital	
Balance at beginning	8,608
Issuance of common shares (including Stock Option Plan)	68
Impact of shares purchased or sold for trading	45
Repurchase of common shares	(215)
Other contributed surplus	6
Dividends on preferred and common shares	(751)
Net income attributable to the Bank's shareholders	1,666
Common share capital issued by subsidiaries and held by third parties	9
Removal of own credit spread (net of income taxes)	9
Impact of adopting IFRS 15 on November 1, 2018	(4)
Other	(155)
Movements in accumulated other comprehensive income	
Translation adjustments	1
Debt securities at fair value through other comprehensive income	(2)
Other	4
Change in goodwill and intangible assets (net of related tax liability)	171
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	6
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments(1)	9
Balance at end	9,475
Additional Tier 1 capital	
Balance at beginning	2,802
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	3
Balance at end	2,805
Total Tier 1 capital	12,280
Tier 2 capital	
Balance at beginning	942
New Tier 2 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Tier 2 subject to phase-out	–
Tier 2 instruments issued by subsidiaries and held by third parties	2
Change in certain allowances for credit losses	4
Other, including regulatory adjustments and transitional arrangements	(35)
Balance at end	913
Total regulatory capital	13,193

(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 $81.0 billion as at July 31, 2019 compared to $73.7 billion as at October 31, 2018, a $7.3 billion increase resulting mainly from organic growth in RWA and from a change in the method used to measure the counterparty credit risk (SA-CCR). The changes in the Bank's risk-weighted assets by risk type are presented in the following table.

Risk-Weighted Assets Movements by Key Drivers

(millions of Canadian dollars) Quarter ended

	July 31, 2019			April 30, 2019	January 31, 2019	October 31, 2018
	Non-counterparty credit risk	Counterparty credit risk	Total	Total	Total	Total
Credit risk – Risk-weighted assets at beginning	**57,739**	**6,385**	**64,124**	62,162	59,476	57,974
Book size	**1,443**	**145**	**1,588**	1,589	1,273	1,629
Book quality	**(127)**	**(28)**	**(155)**	56	(198)	(203)
Model updates	**397**	**19**	**416**	33	–	(72)
Methodology and policy	**–**	**–**	**–**	–	1,634	–
Acquisitions and disposals	**–**	**–**	**–**	–	–	–
Foreign exchange movements	**(230)**	**(50)**	**(280)**	284	(23)	148
Credit risk – Risk-weighted assets at end	**59,222**	**6,471**	**65,693**	64,124	62,162	59,476
Market risk – Risk-weighted assets at beginning			**3,788**	3,964	3,435	4,755
Movement in risk levels[(1)]			**184**	(176)	529	(406)
Model updates			**–**	–	–	(914)
Methodology and policy			**–**	–	–	–
Acquisitions and disposals			**–**	–	–	–
Market risk – Risk-weighted assets at end			**3,972**	3,788	3,964	3,435
Operational risk – Risk-weighted assets at beginning			**11,096**	10,910	10,743	10,539
Movement in risk levels			**223**	186	167	204
Acquisitions and disposals			**–**	–	–	–
Operational risk – Risk-weighted assets at end			**11,319**	11,096	10,910	10,743
Risk-weighted assets at end			**80,984**	79,008	77,036	73,654

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

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

The *Model updates* item is used to reflect implementations of new models, changes in model scope, and any other change applied to address model malfunctions. During the quarter ended July 31, 2019, the Bank updated its models for credit card portfolios and energy sector loans.

The *Methodology and policy* item presents the impact of changes in calculation methods stemming from changes in regulatory policies as a result, for example, of new regulations. During the quarter ended January 31, 2019, the Bank implemented the SA-CCR rules for measuring counterparty credit risk under the standardized approach, as required by the BCBS.

Regulatory Capital Ratios

As at July 31, 2019, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.7%, 15.2% and 16.3%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.7%, 15.5% and 16.8% as at October 31, 2018. The CET1 capital ratio remained stable. Net income net of dividends, and common share issuances under the Stock Option Plan offset the application of the SA-CCR rules for measuring counterparty credit risk, growth in risk-weighted assets, the common share repurchases during the nine-month period ended July 31, 2019, and remeasurements of pension plans and other post-employment benefit plans. The decreases in the Tier 1 capital ratio and the Total capital ratio were essentially due to the same factors. As at July 31, 2019, the leverage ratio was 4.0%, stable compared to October 31, 2018.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018
Capital		
CET1	9,475	8,608
Tier 1	12,280	11,410
Total	13,193	12,352
Risk-weighted assets		
CET1 capital	80,984	73,654
Tier 1 capital	80,984	73,670
Total capital	80,984	73,685
Total exposure	303,961	284,337
Capital ratios		
CET1	11.7 %	11.7 %
Tier 1	15.2 %	15.5 %
Total	16.3 %	16.8 %
Leverage ratio	4.0 %	4.0 %

Dividends

On August 27, 2019, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 68 cents per common share payable on November 1, 2019 to shareholders of record on September 30, 2019.

Risk Management

The Bank aims to maintain its financial performance by continuing to ensure prudent management and a sound balance between return and the risks assumed. The Bank views risk as an integral part of its development and the diversification of its activities and advocates a risk management approach consistent with its business expansion strategy. The Bank's governance structure for risk management has remained largely unchanged from that described in the *2018 Annual Report*.

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

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

Credit Risk

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

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

Maximum Credit Risk Exposure Under the Basel Asset Categories

(millions of Canadian dollars)						As at July 31, 2019	As at October 31, 2018
	Drawn	Undrawn commitments	Repo-style transactions(1)	Derivatives(2)	Other off-balance-sheet items(3)	Total	Total
Retail							
Residential mortgages	48,966	8,690	–	–	–	57,656	54,213
Qualifying revolving retail	2,560	3,120	–	–	–	5,680	6,276
Other retail	14,522	1,623	–	–	15	16,160	17,064
	66,048	13,433	–	–	15	79,496	77,553
Non-retail							
Corporate	55,386	19,771	19,715	–	4,054	98,926	88,527
Sovereign	28,687	5,191	39,182	215	144	73,419	73,915
Financial institutions	2,819	425	94,263	1,666	632	99,805	85,109
	86,892	25,387	153,160	1,881	4,830	272,150	247,551
Trading portfolio	–	–	–	11,895	–	11,895	9,620
Securitization	1,432	–	–	–	3,784	5,216	4,746
Total – Gross credit risk	154,372	38,820	153,160	13,776	8,629	368,757	339,470
Standardized Approach	15,051	126	22,844	1,648	256	39,925	32,303
AIRB Approach	139,321	38,694	130,316	12,128	8,373	328,832	307,167
Total – Gross credit risk	154,372	38,820	153,160	13,776	8,629	368,757	339,470

(1) Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.
(2) Exposure presented using the SA-CCR method since the first quarter of 2019.
(3) 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 – Third Quarter 2019* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – Third Quarter 2019,* which are available on the Bank's website at nbc.ca.

Market Risk

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

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

Reconciliation of Market Risk With Consolidated Balance Sheet Items

(millions of Canadian dollars)					As at July 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	11,552	255	11,150	147	Interest rate(3)
Securities					
At fair value through profit or loss	67,444	63,821	3,623	–	Interest rate(3) and equity
At fair value through other comprehensive income	9,091	–	9,091	–	Interest rate(3) and equity(4)
At amortized cost	8,197	–	8,197	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	13,928	–	13,928	–	Interest rate(3)(5)
Loans and acceptances, net of allowances	151,348	5,868	145,480	–	Interest rate(3)
Derivative financial instruments	8,515	7,629	886	–	Interest rate and exchange rate
Defined benefit asset	38	–	38	–	Other
Other	6,199	–	–	6,199	
	276,312	77,573	192,393	6,346	
Liabilities					
Deposits	187,219	9,813	177,406	–	Interest rate(3)
Acceptances	6,834	–	6,834	–	Interest rate(3)
Obligations related to securities sold short	13,917	13,917	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	19,764	–	19,764	–	Interest rate(3)(5)
Derivative financial instruments	6,211	5,406	805	–	Interest rate and exchange rate
Liabilities related to transferred receivables	20,549	4,336	16,213	–	Interest rate(3)
Defined benefit liability	305	–	305	–	Other
Other	5,845	25	911	4,909	Interest rate(3)
Subordinated debt	773	–	773	–	Interest rate(3)
	261,417	33,497	223,011	4,909	

(1) Trading positions whose risk measures are VaR and SVaR. For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk Management section of the *2018 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented on the following pages and in the Market Risk Management section of the *2018 Annual Report*.
(4) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 6 to the consolidated financial statements.
(5) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For 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, 2018
		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	12,756	226	12,269	261	Interest rate(3)
Securities					
At fair value through profit or loss	55,817	51,575	4,242	–	Interest rate(3) and equity(4)
At fair value through other comprehensive income	5,668	–	5,668	–	Interest rate(3) and equity(5)
Amortized cost	8,298	–	8,298	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	18,159	–	18,159	–	Interest rate(3)(6)
Loans and acceptances, net of allowances	146,082	5,417	140,665	–	Interest rate(3)
Derivative financial instruments	8,608	7,625	983	–	Interest rate(7) and exchange rate(7)
Defined benefit asset	64	–	64	–	Other(8)
Other	7,019	–	–	7,019	
	262,471	64,843	190,348	7,280	
Liabilities					
Deposits	170,830	7,187	163,643	–	Interest rate(3)
Acceptances	6,801	–	6,801	–	Interest rate(3)
Obligations related to securities sold short	17,780	17,780	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	19,998	–	19,998	–	Interest rate(3)(6)
Derivative financial instruments	6,036	4,807	1,229	–	Interest rate(7) and exchange rate(7)
Liabilities related to transferred receivables	20,100	3,733	16,367	–	Interest rate(3)
Defined benefit liability	186	–	186	–	Other(8)
Other	5,638	21	910	4,707	Interest rate(3)
Subordinated debt	747	–	747	–	Interest rate(3)
	248,116	33,528	209,881	4,707	

(1) Trading positions whose risk measures are VaR and SVaR. For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk Management section of the *2018 Annual Report*.
(2) Non-trading positions that use other risk measures.
(3) For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented below and on the following page as well as in the Market Risk Management section of the *2018 Annual Report*.
(4) For additional information, see Note 7 to the audited annual consolidated financial statements for the fiscal year ended October 31, 2018.
(5) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 6 to the consolidated financial statements.
(6) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.
(7) For additional information, see Notes 17 and 18 to the audited annual consolidated financial statements for the year ended October 31, 2018.
(8) For additional information, see Note 24 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Trading Activities

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

VaR of Trading Portfolios by Risk Category(1)

(millions of Canadian dollars)							Quarter ended		Nine months ended	
				July 31, 2019	April 30, 2019		July 31, 2018		**July 31, 2019**	July 31, 2018
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(4.3)**	**(6.9)**	**(5.5)**	**(4.7)**	(5.1)	(4.4)	(3.9)	(3.4)	**(5.4)**	(4.0)
Exchange rate	**(0.4)**	**(1.2)**	**(0.7)**	**(0.6)**	(0.8)	(0.6)	(1.4)	(1.7)	**(0.8)**	(1.1)
Equity	**(3.0)**	**(4.1)**	**(3.5)**	**(3.4)**	(4.0)	(3.1)	(4.1)	(4.5)	**(4.0)**	(3.2)
Commodity	**(0.6)**	**(1.5)**	**(0.9)**	**(1.0)**	(1.0)	(1.1)	(1.2)	(1.3)	**(1.0)**	(1.0)
Correlation effect(2)	**n.m.**	**n.m.**	**4.5**	**4.0**	5.2	4.9	4.7	4.7	**5.1**	4.3
Total trading VaR	**(3.8)**	**(8.3)**	**(6.1)**	**(5.7)**	(5.7)	(4.3)	(5.9)	(6.2)	**(6.1)**	(5.0)

n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day 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		Nine months ended	
				July 31, 2019	April 30, 2019		July 31, 2018		**July 31, 2019**	July 31, 2018
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(12.1)**	**(23.2)**	**(16.8)**	**(19.4)**	(15.5)	(15.2)	(12.3)	(11.3)	**(15.6)**	(11.6)
Exchange rate	**(0.6)**	**(4.1)**	**(1.5)**	**(1.0)**	(1.1)	(0.9)	(1.9)	(2.5)	**(1.3)**	(1.3)
Equity	**(4.5)**	**(9.9)**	**(6.3)**	**(7.0)**	(6.1)	(5.3)	(3.8)	(4.1)	**(6.9)**	(3.0)
Commodity	**(1.1)**	**(2.7)**	**(2.1)**	**(2.2)**	(2.0)	(2.3)	(2.4)	(1.6)	**(2.1)**	(1.7)
Correlation effect[2]	**n.m.**	**n.m.**	**14.1**	**16.8**	12.3	12.3	8.3	8.1	**13.6**	7.6
Total trading SVaR	**(9.0)**	**(15.2)**	**(12.6)**	**(12.8)**	(12.4)	(11.4)	(12.1)	(11.4)	**(12.3)**	(10.0)

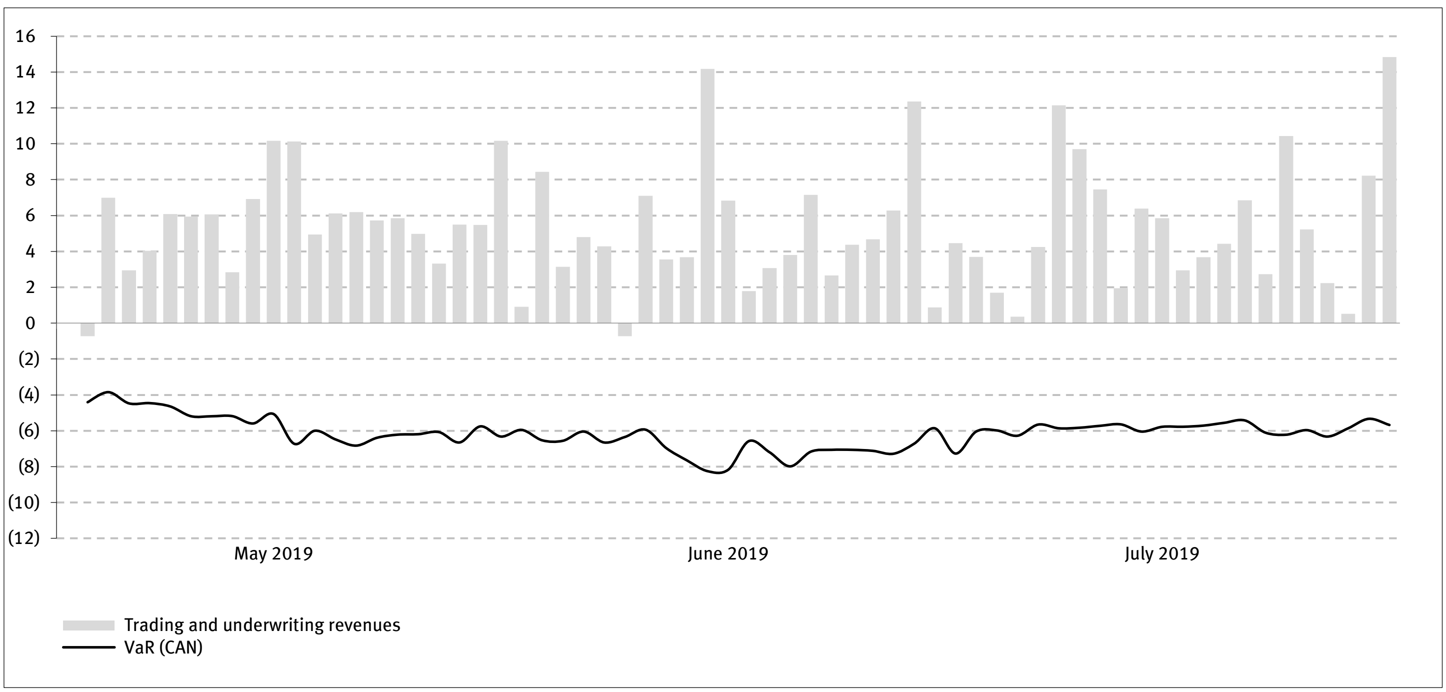
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR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

The average trading VaR increased from $5.7 million to $6.1 million between the second and third quarters of 2019. Over the same period, the average trading SVaR increased from $12.4 million to $12.6 million. These increases were mostly due to an increase in interest rate risk.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. Daily trading and underwriting revenues were positive 97% of the days for the quarter ended July 31, 2019. No trading day was marked by daily trading and underwriting net losses of more than $1 million. None of the 2019 third-quarter losses exceeded the VaR.

Quarter Ended July 31, 2019
(millions of Canadian dollars)



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

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

(millions of Canadian dollars)						As at July 31, 2019
	Impact on equity			Impact on net interest income		
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
100-basis-point increase in the interest rate	(207)	3	(204)	(50)	9	(41)
100-basis-point decrease in the interest rate	202	–	202	65	(4)	61

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

Liquidity Risk

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

Regulatory Developments

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

On December 19, 2018, OSFI published a draft version of the *Liquidity Adequacy Requirements* guideline that includes certain changes involving the Net Stable Funding Ratio (NSFR). The updated guideline requires institutions to maintain a stable funding profile relative to the composition of their off-balance-sheet assets and activities. A viable funding structure should reduce the likelihood that disruptions to a bank's regular funding sources would erode its liquidity position and thereby increase its risk of failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance-sheet items, and favours funding stability. On April 11, 2019, OSFI issued the final version of *Net Stable Funding Ratio Disclosure Requirements*, a guideline that sets out the NSFR disclosure requirements applicable to D-SIBs. These requirements will be applicable as of January 1, 2020, but since OSFI has introduced an additional year to implement the disclosure framework, they will take effect on January 1, 2021.

On April 11, 2019, OSFI also issued a new version of its *Liquidity Adequacy Requirements* guideline, which will come into effect on January 1, 2020. This version differs from the previous one and seeks to ensure that liquidity risk measuring and monitoring standards reflect current sound practices.

On May 23, 2019, OSFI updated the covered bond limit calculation. Effective August 1, 2019, total assets pledged by a deposit-taking institution for covered bonds must not, at any time, represent more than 5.5% of the issuer's on-balance-sheet assets.

On July 18, 2019, OSFI published proposed changes to guideline *B-6 – Liquidity Principles* for public consultation. The current version was last updated in 2012, and the proposed changes aim to ensure that the guideline remains current, relevant, and appropriate to the scale and complexity of institutions. OSFI is targeting an implementation date of January 1, 2020.

Liquid Assets

To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. This portfolio consists of highly liquid securities, most of which are issued or guaranteed by governments, and of cash loans maturing in less than 30 days. The majority of unencumbered liquid assets are held in Canadian or U.S. dollars. Moreover, all assets that can be quickly monetized are considered liquid assets. The Bank's liquidity reserves do not factor in the availability of central bank emergency liquidity facilities. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio

(millions of Canadian dollars)					As at July 31, 2019	As at October 31, 2018
	Bank-owned liquid assets[1]	Liquid assets received[2]	Total liquid assets	Encumbered liquid assets[3]	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	11,552	–	11,552	3,466	8,086	10,287
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	28,131	19,202	47,333	24,446	22,887	20,825
Issued or guaranteed by Canadian provincial and municipal governments	10,465	4,660	15,125	10,504	4,621	6,540
Other debt securities	4,447	2,071	6,518	2,260	4,258	5,398
Equity securities	41,689	31,480	73,169	42,335	30,834	16,611
Loans						
Securities backed by insured residential mortgages	7,296	–	7,296	4,448	2,848	3,286
As at July 31, 2019	103,580	57,413	160,993	87,459	73,534	
As at October 31, 2018	91,640	57,483	149,123	86,176		62,947

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018
Unencumbered liquid assets by entity		
National Bank (parent)	26,679	30,205
Domestic subsidiaries	13,997	11,543
Foreign subsidiaries and branches	32,858	21,199
	73,534	62,947

(millions of Canadian dollars)	As at July 31, 2019	As at October 31, 2018
Unencumbered liquid assets by currency		
Canadian dollar	37,232	35,838
U.S. dollar	20,407	22,663
Other currencies	15,895	4,446
	73,534	62,947

Liquid Asset Portfolio – Average[4]

(millions of Canadian dollars)					Quarter ended July 31, 2019
	Bank-owned liquid assets[1]	Liquid assets received[2]	Total liquid assets	Encumbered liquid assets[3]	Unencumbered liquid assets
Cash and deposits with financial institutions	11,671	–	11,671	3,312	8,359
Securities					
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	29,713	21,354	51,067	28,549	22,518
Issued or guaranteed by Canadian provincial and municipal governments	11,678	5,555	17,233	12,002	5,231
Other debt securities	4,961	2,244	7,205	2,912	4,293
Equity securities	41,201	32,455	73,656	43,768	29,888
Loans					
Securities backed by insured residential mortgages	7,148	–	7,148	4,421	2,727
	106,372	61,608	167,980	94,964	73,016

(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 July 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	115	3,351	8,086	–	11,552	1.3
Securities	22,142	–	62,590	–	84,732	8.0
Securities purchased under reverse repurchase agreements and securities borrowed	–	13,918	10	–	13,928	5.0
Loans and acceptances, net of allowances	30,915	–	2,848	117,585	151,348	11.2
Derivative financial instruments	–	–	–	8,515	8,515	–
Investments in associates and joint ventures	–	–	–	379	379	–
Premises and equipment	–	–	–	468	468	–
Goodwill	–	–	–	1,413	1,413	–
Intangible assets	–	–	–	1,364	1,364	–
Other assets	–	–	–	2,613	2,613	–
	53,172	17,269	73,534	132,337	276,312	25.5

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

(1) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities, residential mortgage loans securitized and transferred under the Canada Mortgage Bond program, assets held in consolidated trusts supporting the Bank's funding activities and mortgage loans transferred under the covered bond program.
(2) Other encumbered assets include assets for which there are restrictions and that cannot therefore be used for collateral or funding purposes as well as assets used to cover short sales.
(3) Other unencumbered assets are assets that cannot be used for collateral or funding purposes in their current form. This category includes assets that are potentially eligible as funding program collateral (for example, mortgages insured by the Canada Mortgage and Housing Corporation that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

Liquidity Coverage Ratio (LCR)

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

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended July 31, 2019, the Bank's average LCR was 154%, 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		
		July 31, 2019		April 30, 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.	46,194	46,451
Cash outflows				
2	Retail deposits and deposits from small business customers, of which:	42,655	2,893	2,850
3	Stable deposits	19,605	588	580
4	Less stable deposits	23,050	2,305	2,270
5	Unsecured wholesale funding, of which:	71,629	39,240	37,201
6	Operational deposits (all counterparties)	11,607	2,780	2,712
7	Non-operational deposits (all counterparties)	52,450	28,888	26,583
8	Unsecured debt	7,572	7,572	7,906
9	Secured wholesale funding	n.a.	16,440	13,467
10	Additional requirements, of which:	34,725	9,031	8,936
11	Outflows related to derivative exposures and other collateral requirements	8,071	4,113	4,084
12	Outflows related to loss of funding on secured debt securities	858	858	781
13	Backstop liquidity and credit enhancement facilities and commitments to extend credit	25,796	4,060	4,071
14	Other contractual commitments to extend credit	2,145	415	632
15	Other contingent commitments to extend credit	94,793	1,442	1,424
16	Total cash outflows	n.a.	69,461	64,510
Cash inflows				
17	Secured lending (e.g., reverse repos)	108,196	19,765	16,210
18	Inflows from fully performing exposures	9,812	6,094	5,258
19	Other cash inflows	13,531	13,531	10,123
20	Total cash inflows	131,539	39,390	31,591
			Total adjusted value[4]	Total adjusted value[4]
21	Total HQLA	n.a.	46,194	46,451
22	Total net cash outflows	n.a.	30,071	32,919
23	Liquidity coverage ratio (%)[5]	n.a.	154 %	141 %

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 July 31, 2019, Level 1 liquid assets represented 78% 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 July 31, 2019 and the preceding quarter was a result of normal business activities. The Bank's liquid asset buffer is well in excess of its total net cash outflows.

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

Funding Risk

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

The Bank's balance sheet is well diversified and is supported by a funding strategy. The Bank continuously monitors and analyzes the possibilities for accessing less expensive funding. The Bank is aiming to fund its core banking activities through personal, commercial and government deposits and through securitization programs. In addition to core deposits, the Bank also receives non-marketable deposits from governments and large corporations. Wholesale funding is invested in cash and securities. The table below presents the residual contractual maturities of the Bank's wholesale funding. The information has been presented in accordance with the categories recommended by the EDTF for comparison purposes with other banks.

Residual Contractual Maturities of Wholesale Funding[1]

(millions of Canadian dollars)								As at July 31, 2019
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Subtotal 1 year or less	Over 1 year to 2 years	Over 2 years	Total
Deposits from banks[2]	482	–	21	7	510	–	–	510
Certificates of deposit and commercial paper[3]	3,390	3,698	3,274	1,210	11,572	–	–	11,572
Senior unsecured medium-term notes[4]	–	1,001	485	4,867	6,353	3,152	3,670	13,175
Senior unsecured structured notes	132	66	669	–	867	257	4,300	5,424
Covered bonds and asset-backed securities								
Mortgage securitization	–	529	1,210	1,820	3,559	3,543	13,447	20,549
Covered bonds	–	–	–	–	–	1,865	7,538	9,403
Securitization of credit card receivables	–	–	–	874	874	–	37	911
Subordinated liabilities[5]	–	–	–	–	–	–	773	773
	4,004	5,294	5,659	8,778	23,735	8,817	29,765	62,317
Secured funding	–	529	1,210	2,694	4,433	5,408	21,022	30,863
Unsecured funding	4,004	4,765	4,449	6,084	19,302	3,409	8,743	31,454
	4,004	5,294	5,659	8,778	23,735	8,817	29,765	62,317
As at October 31, 2018	1,944	7,261	4,339	5,143	18,687	9,856	28,950	57,493

(1) Bankers' acceptances are not included in this table.
(2) Deposits from banks include all non-negotiable term deposits from banks.
(3) Includes bearer deposit notes.
(4) Certificates of deposit denominated in euros are included in senior unsecured medium-term notes.
(5) Subordinated debt is presented in this table but the Bank does not consider it as part of its wholesale funding.

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

(millions of Canadian dollars)		As at July 31, 2019
	One-notch downgrade	Three-notch downgrade
Derivatives[1]	25	44

(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 July 31, 2019 with comparative figures as at October 31, 2018. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk or its liquidity risk and funding needs. The Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows.

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

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

(millions of Canadian dollars)										As at July 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	6,884	1,153	94	65	111	10	–	–	3,235	11,552
Securities										
At fair value through profit or loss	2,463	3,282	276	326	393	3,974	9,458	6,229	41,043	67,444
At fair value through other comprehensive income	9	109	50	39	12	2,179	4,356	1,902	435	9,091
At amortized cost	40	763	106	230	342	1,370	4,845	501	–	8,197
	2,512	4,154	432	595	747	7,523	18,659	8,632	41,478	84,732
Securities purchased under reverse repurchase agreements and securities borrowed	2,596	1,655	1,011	–	708	1,320	–	–	6,638	13,928
Loans(1)										
Residential mortgage	930	1,178	2,078	2,038	3,229	10,326	32,605	2,915	683	55,982
Personal	264	449	808	772	992	3,400	11,306	3,366	15,590	36,947
Credit card									2,322	2,322
Business and government	8,838	2,352	2,249	2,898	3,044	5,634	13,281	2,588	9,066	49,950
Customers' liability under acceptances	5,935	890	9	–	–	–	–	–	–	6,834
Allowances for credit losses									(687)	(687)
	15,967	4,869	5,144	5,708	7,265	19,360	57,192	8,869	26,974	151,348
Other										
Derivative financial instruments	694	783	466	330	294	768	2,076	3,104	–	8,515
Investments in associates and joint ventures									379	379
Premises and equipment									468	468
Goodwill									1,413	1,413
Intangible assets									1,364	1,364
Other assets(1)	948	107	136	59	182	122	11	167	881	2,613
	1,642	890	602	389	476	890	2,087	3,271	4,505	14,752
	29,601	12,721	7,283	6,757	9,307	29,103	77,938	20,772	82,830	276,312

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

(millions of Canadian dollars)										As at July 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	1,677	2,468	2,615	2,775	2,716	6,544	7,347	2,483	30,326	58,951
Business and government	20,172	6,784	6,016	3,543	4,058	6,268	11,070	6,430	59,358	123,699
Deposit-taking institutions	629	357	52	64	4	–	5	48	3,410	4,569
	22,478	9,609	8,683	6,382	6,778	12,812	18,422	8,961	93,094	187,219
Other										
Acceptances	5,935	890	9	–	–	–	–	–	–	6,834
Obligations related to securities sold short[3]	31	48	287	87	47	755	3,357	4,656	4,649	13,917
Obligations related to securities sold under repurchase agreements and securities loaned	5,162	2,442	4,358	1,365	–	–	–	–	6,437	19,764
Derivative financial instruments	502	511	494	332	245	732	1,892	1,503	–	6,211
Liabilities related to transferred receivables[4]	–	529	1,210	1,015	805	3,543	10,269	3,178	–	20,549
Securitization – Credit card[5]	–	–	–	874	–	–	37	–	–	911
Other liabilities – Other items[1][5]	1,155	64	176	59	75	69	81	363	3,197	5,239
	12,785	4,484	6,534	3,732	1,172	5,099	15,636	9,700	14,283	73,425
Subordinated debt	–	–	–	–	–	–	–	773	–	773
Equity									14,895	14,895
	35,263	14,093	15,217	10,114	7,950	17,911	34,058	19,434	122,272	276,312
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	480	535	1,772	451	971	345	26	–	–	4,580
Credit card receivables[6]									7,657	7,657
Backstop liquidity and credit enhancement facilities[7]	–	–	15	2,431	15	–	–	–	2,733	5,194
Commitments to extend credit[8]	2,688	3,421	5,946	3,838	4,260	3,373	10,395	511	26,851	61,283
Lease commitments and other contracts	31	39	58	57	72	255	499	371	–	1,382

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(4) These amounts mainly include liabilities related to the securitization of mortgage loans.
(5) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(6) These amounts are unconditionally revocable at the Bank's discretion at any time.
(7) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $2.4 billion.
(8) These amounts include $44.4 billion that is unconditionally revocable at the Bank's discretion at any time.

(millions of Canadian dollars)									As at October 31, 2018	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	9,544	790	41	1	19	10	–	–	2,351	12,756
Securities										
At fair value through profit or loss	1,982	1,713	1,043	1,430	1,457	5,638	10,527	5,444	26,583	55,817
At fair value through other comprehensive income	3	183	7	66	68	714	1,892	2,502	233	5,668
At amortized cost	–	10	9	–	730	814	6,162	573	–	8,298
	1,985	1,906	1,059	1,496	2,255	7,166	18,581	8,519	26,816	69,783
Securities purchased under reverse repurchase agreements and securities borrowed	7,759	1,242	2,154	271	790	2,151	–	–	3,792	18,159
Loans[(1)]										
Residential mortgage	724	950	1,583	2,653	2,105	10,124	32,675	2,085	752	53,651
Personal	365	395	622	1,070	762	3,914	10,509	3,116	16,604	37,357
Credit card									2,325	2,325
Business and government	7,557	2,454	2,246	3,672	2,206	4,244	12,838	2,402	8,987	46,606
Customers' liability under acceptances	6,019	670	112	–	–	–	–	–	–	6,801
Allowances for credit losses									(658)	(658)
	14,665	4,469	4,563	7,395	5,073	18,282	56,022	7,603	28,010	146,082
Other										
Derivative financial instruments	642	884	718	375	287	951	2,005	2,746	–	8,608
Investments in associates and joint ventures									645	645
Premises and equipment									601	601
Goodwill									1,412	1,412
Intangible assets									1,314	1,314
Other assets[(1)]	574	108	66	61	131	119	31	54	1,967	3,111
	1,216	992	784	436	418	1,070	2,036	2,800	5,939	15,691
	35,169	9,399	8,601	9,599	8,555	28,679	76,639	18,922	66,908	262,471

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

(millions of Canadian dollars)									As at October 31, 2018	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits[(1)(2)]										
Personal	1,630	2,324	2,631	2,033	2,785	5,156	8,994	2,327	27,808	55,688
Business and government	12,082	9,725	5,587	2,953	1,988	7,017	11,050	5,025	54,894	110,321
Deposit-taking institutions	949	541	200	15	263	–	–	50	2,803	4,821
	14,661	12,590	8,418	5,001	5,036	12,173	20,044	7,402	85,505	170,830
Other										
Acceptances	6,019	670	112	–	–	–	–	–	–	6,801
Obligations related to securities sold short[(3)]	1,061	362	201	33	311	1,753	3,729	5,946	4,384	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	6,912	1,981	3,826	1,607	–	–	–	–	5,672	19,998
Derivative financial instruments	427	668	288	245	181	856	1,485	1,886	–	6,036
Liabilities related to transferred receivables[(4)]	–	2,244	226	867	537	3,088	10,072	3,066	–	20,100
Securitization – Credit card[(5)]	36	–	–	–	–	874	–	–	–	910
Other liabilities – Other items[(1)(5)]	548	241	56	20	59	66	63	207	3,654	4,914
	15,003	6,166	4,709	2,772	1,088	6,637	15,349	11,105	13,710	76,539
Subordinated debt	–	–	–	–	–	–	–	747	–	747
Equity									14,355	14,355
	29,664	18,756	13,127	7,773	6,124	18,810	35,393	19,254	113,570	262,471
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	78	1,269	540	1,296	688	566	58	–	–	4,495
Credit card receivables[(6)]									7,874	7,874
Backstop liquidity and credit enhancement facilities[(7)]	–	15	2,298	15	–	–	–	–	2,550	4,878
Commitments to extend credit[(8)]	2,394	4,161	3,886	4,988	4,737	3,839	6,777	304	26,708	57,794
Lease commitments and other contracts	31	38	58	55	71	247	470	412	–	1,382

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(4) These amounts mainly include liabilities related to the securitization of mortgage loans.
(5) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(6) These amounts are unconditionally revocable at the Bank's discretion at any time.
(7) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $2.3 billion.
(8) These amounts include $42.9 billion that is unconditionally revocable at the Bank's discretion at any time.

Risk Disclosures

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

				Pages
		2018 Annual Report	Report to Shareholders[(1)]	Supplementary Regulatory Capital and Pillar 3 Disclosure[(1)]
General				
1	Location of risk disclosures	8	38	
	Management's Discussion and Analysis	43 to 87, 98, 101 and 102	19 to 37	
	Consolidated Financial Statements	Notes 1, 8, 17, 24 and 30	Notes 7 and 15	
	Supplementary Financial Information			19 to 29[(2)]
	Supplementary Regulatory Capital and Pillar 3 Disclosure			5 to 48
2	Risk terminology and risk measures	52 to 87		
3	Top and emerging risks	52 and 53		
4	New key regulatory ratios	44 to 47, 74, 75 and 80	19, 20, 29, 32 and 70	
Risk governance and risk management				
5	Risk management organization, processes and key functions	56 to 69, 75 to 77		
6	Risk management culture	56 and 57		
7	Key risks by business segment, risk management and risk appetite	51, 56 and 57		
8	Stress testing	43, 57, 64 and 73 to 77		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	44 to 47	19 and 20	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 13, 16 and 17
11	Movements in regulatory capital	49	22	
12	Capital planning	43 to 51		
13	RWA by business segment and by risk type	51		6
14	Capital requirements by risk and RWA calculation method	61 to 64		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	50	23	6
17	Assessment of credit risk model performance	60, 63, 64 and 71		31
Liquidity				
18	Liquidity management and components of the liquidity buffer	75 to 81	29 to 33	
Funding				
19	Summary of encumbered and unencumbered assets	78 and 79	31	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	202 to 206	34 to 37	
21	Funding strategy and funding sources	81 to 83	33	
Market risk				
22	Linkage of market risk measures to balance sheet	69 and 70	26 and 27	
23	Market risk factors	68, 71 to 74, 190 to 192	27 to 29	
24	VaR: Assumptions, limitations and validation procedures	71 to 73		
25	Stress tests, stressed VaR and backtesting	71 to 74		
Credit risk				
26	Credit risk exposures	67 and 152 to 163	25 and 57 to 66	18 to 39 and 19 to 27[(2)]
27	Policies for identifying impaired loans	65 and 120 to 123		
28	Movements in impaired loans and allowances for credit losses	98, 101, 102 and 152 to 163	57 to 66	24 to 26[(2)]
29	Counterparty credit risk relating to derivatives transactions	65, 66 and 171 to 174		33 to 40 and 28 and 29[(2)]
30	Credit risk mitigation	64 to 66 and 149		20, 24 and 38 to 48
Other risks				
31	Other risks: Governance, measurement and management	54, 55 and 84 to 87		
32	Publicly known risk events	84	No risk event	

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

Accounting Policies and Financial Disclosure

Accounting Policies and Critical Accounting Estimates

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

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

Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact its consolidated financial statements. Aside from the adoption of IFRS 15 on November 1, 2018 and the below-explained adoption of IFRS 16, there have been no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2018.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*. The new standard replaces the previous lease accounting standard IAS 17 – *Leases* and the related interpretations. Under IAS 17, lessees and lessors had to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 provides a single lease accounting model for lessees, requiring them to recognize a right-of-use asset as well as a liability that reflects the present value of future lease payments. Lessees must also recognize a depreciation expense on the right-of-use asset and an interest expense on the lease liability in the statement of income. Short-term leases, which are defined as leases with terms of twelve months or less, and leases of low-value assets are exempt. As for lessors, IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between finance and operating leases being retained.

The Bank has elected to apply IFRS 16 using the modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of *Retained earnings* as at November 1, 2019, the date of initial application, with no restatement of comparative periods. For the Bank, the most significant impact will involve real estate leases, which are currently classified as operating leases. The Bank is continuing to assess the impact of IFRS 16 on its consolidated financial statements, to update its lease administration system, to develop the new internal controls and processes needed to apply IFRS 16, and to identify new disclosures required by the new standard.

Financial Disclosure

During the third quarter of 2019, no changes were made to the policies, procedures and other processes that comprise the Bank's internal control over financial reporting that had or could reasonably have a significant impact on the internal control over financial reporting.

Quarterly Financial Information

(millions of Canadian dollars, except per share amounts)			2019				2018	2017	2018	2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Total	Total
Total revenues	**1,948**	1,770	1,799	1,814	1,792	1,754	1,806	1,704	7,166	6,609
Net income	**608**	558	552	566	569	547	550	525	2,232	2,024
Earnings per share ($)										
Basic	**1.68**	1.52	1.51	1.53	1.54	1.46	1.48	1.40	6.01	5.44
Diluted	**1.66**	1.51	1.50	1.52	1.52	1.44	1.46	1.39	5.94	5.38
Dividends per common share ($)	**0.68**	0.65	0.65	0.62	0.62	0.60	0.60	0.58	2.44	2.28
Return on common shareholders' equity (%)	**18.7**	17.8	17.2	17.8	18.4	18.6	18.7	17.8	18.4	18.1
Total assets	**276,312**	269,106	263,355	262,471	257,637	256,259	251,065	245,827		
Net impaired loans[(1)] under IFRS 9	**420**	379	373	404	413	382	371			
Net impaired loans under IAS 39								206		
Per common share ($)										
Book value	**36.12**	35.49	34.85	34.40	33.91	32.64	31.75	31.51		
Share price										
High	**64.16**	63.82	61.80	65.63	64.29	64.08	65.35	62.74		
Low	**60.71**	60.31	54.97	58.93	61.26	58.69	62.33	55.29		

(1) Given the adoption of IFRS 9, 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. Under IAS 39, loans were considered impaired according to different criteria. Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

Interim Condensed Consolidated Financial Statements

(unaudited)

Consolidated Balance Sheets 42
Consolidated Statements of Income 43
Consolidated Statements of Comprehensive Income 44
Consolidated Statements of Changes in Equity 45
Consolidated Statements of Cash Flows 46
Notes to the Interim Condensed Consolidated Financial Statements 47

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at July 31, 2019	As at October 31,2018
Assets		
Cash and deposits with financial institutions	11,552	12,756
Securities (Notes 4, 5 and 6)		
At fair value through profit or loss	67,444	55,817
At fair value through other comprehensive income	9,091	5,668
At amortized cost	8,197	8,298
	84,732	69,783
Securities purchased under reverse repurchase agreements and securities borrowed	13,928	18,159
Loans (Note 7)		
Residential mortgage	55,982	53,651
Personal	36,947	37,357
Credit card	2,322	2,325
Business and government	49,950	46,606
	145,201	139,939
Customers' liability under acceptances	6,834	6,801
Allowances for credit losses	(687)	(658)
	151,348	146,082
Other		
Derivative financial instruments	8,515	8,608
Investments in associates and joint ventures (Notes 6 and 22)	379	645
Premises and equipment (Note 9)	468	601
Goodwill	1,413	1,412
Intangible assets (Note 10)	1,364	1,314
Other assets (Note 11)	2,613	3,111
	14,752	15,691
	276,312	262,471
Liabilities and equity		
Deposits (Notes 5 and 12)	187,219	170,830
Other		
Acceptances	6,834	6,801
Obligations related to securities sold short	13,917	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	19,764	19,998
Derivative financial instruments	6,211	6,036
Liabilities related to transferred receivables (Notes 5 and 8)	20,549	20,100
Other liabilities (Note 13)	6,150	5,824
	73,425	76,539
Subordinated debt	773	747
Equity		
Equity attributable to the Bank's shareholders (Notes 14 and 16)		
Preferred shares	2,450	2,450
Common shares	2,914	2,822
Contributed surplus	53	57
Retained earnings	9,044	8,472
Accumulated other comprehensive income	59	175
	14,520	13,976
Non-controlling interests	375	379
	14,895	14,355
	276,312	262,471

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

Consolidated Statements of Income

(unaudited) (millions of Canadian dollars)

	Quarter ended July 31		Nine months ended July 31	
	2019	2018	**2019**	2018
Interest income				
Loans	**1,608**	1,438	**4,795**	4,126
Securities at fair value through profit or loss	**282**	199	**821**	585
Securities at fair value through other comprehensive income	**46**	37	**128**	108
Securities at amortized cost	**50**	46	**155**	124
Deposits with financial institutions	**40**	58	**179**	151
	2,026	1,778	**6,078**	5,094
Interest expense				
Deposits	**886**	670	**2,557**	1,814
Liabilities related to transferred receivables	**113**	105	**327**	304
Subordinated debt	**6**	6	**18**	12
Other	**166**	160	**516**	408
	1,171	941	**3,418**	2,538
Net interest income(1)	**855**	837	**2,660**	2,556
Non-interest income				
Underwriting and advisory fees	**75**	106	**218**	284
Securities brokerage commissions	**43**	46	**133**	147
Mutual fund revenues	**115**	111	**333**	328
Trust service revenues	**155**	146	**451**	437
Credit fees	**107**	105	**308**	299
Card revenues	**45**	44	**134**	120
Deposit and payment service charges	**69**	71	**200**	207
Trading revenues (losses)	**251**	200	**584**	592
Gains (losses) on non-trading securities, net	**15**	21	**72**	68
Insurance revenues, net	**46**	32	**108**	92
Foreign exchange revenues, other than trading	**27**	26	**73**	72
Share in the net income of associates and joint ventures	**8**	7	**23**	19
Other (Notes 6, 9 and 22)	**137**	40	**220**	131
	1,093	955	**2,857**	2,796
Total revenues	**1,948**	1,792	**5,517**	5,352
Provisions for credit losses (Note 7)	**86**	76	**258**	254
	1,862	1,716	**5,259**	5,098
Non-interest expenses				
Compensation and employee benefits	**648**	618	**1,871**	1,850
Occupancy (Note 13)	**107**	58	**232**	176
Technology (Notes 9 and 10)	**213**	149	**546**	463
Communications	**14**	15	**46**	48
Professional fees	**60**	63	**179**	179
Other	**112**	108	**332**	311
	1,154	1,011	**3,206**	3,027
Income before income taxes	**708**	705	**2,053**	2,071
Income taxes	**100**	136	**335**	405
Net income	**608**	569	**1,718**	1,666
Net income attributable to				
Preferred shareholders	**29**	25	**87**	73
Common shareholders	**562**	521	**1,579**	1,522
Bank shareholders	**591**	546	**1,666**	1,595
Non-controlling interests	**17**	23	**52**	71
	608	569	**1,718**	1,666
Earnings per share *(dollars)* (Note 19)				
Basic	**1.68**	1.54	**4.71**	4.48
Diluted	**1.66**	1.52	**4.67**	4.42
Dividends per common share *(dollars)* (Note 14)	**0.68**	0.62	**1.98**	1.82

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

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

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended July 31		Nine months ended July 31	
	2019	2018	**2019**	2018
Net income	**608**	569	**1,718**	1,666
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	**(41)**	23	**1**	20
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**(8)**	–	**(8)**	–
Impact of hedging net foreign currency translation gains (losses)	**15**	(5)	**2**	(6)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**6**	–	**6**	–
	(28)	18	**1**	14
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	**19**	3	**43**	(2)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(22)**	(7)	**(45)**	(9)
	(3)	(4)	**(2)**	(11)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**41**	13	**(104)**	24
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(11)	**(15)**	(32)
	38	2	**(119)**	(8)
Share in the other comprehensive income of associates and joint ventures	**–**	5	**4**	6
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(83)**	140	**(122)**	173
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(9)**	1	**(14)**	1
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(3)**	22	**(8)**	15
	(95)	163	**(144)**	189
Total other comprehensive income, net of income taxes	**(88)**	184	**(260)**	190
Comprehensive income	**520**	753	**1,458**	1,856
Comprehensive income attributable to				
Bank shareholders	**505**	729	**1,406**	1,785
Non-controlling interests	**15**	24	**52**	71
	520	753	**1,458**	1,856

Income Taxes – Other Comprehensive Income

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

	Quarter ended July 31		Nine months ended July 31	
	2019	2018	**2019**	2018
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(3)**	–	**(1)**	–
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**1**	–	**1**	–
Impact of hedging net foreign currency translation gains (losses)	**9**	–	**5**	1
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**(2)**	–	**(2)**	–
	5	–	**3**	1
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	**7**	2	**16**	–
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(8)**	(4)	**(16)**	(3)
	(1)	(2)	**–**	(3)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**15**	5	**(37)**	9
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(1)**	(4)	**(6)**	(12)
	14	1	**(43)**	(3)
Share in the other comprehensive income of associates and joint ventures	**–**	1	**1**	1
Remeasurements of pension plans and other post-employment benefit plans	**(30)**	51	**(44)**	63
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(1)**	1	**(3)**	1
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(1)**	8	**(3)**	5
	(14)	60	**(89)**	65

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)

	Nine months ended July 31	
	2019	2018
Preferred shares at beginning (Note 14)	**2,450**	2,050
Issuance of Series 40 and 42 preferred shares	**–**	600
Redemption of Series 28 preferred shares for cancellation	**–**	(200)
Preferred shares at end	**2,450**	2,450
Common shares at beginning (Note 14)	**2,822**	2,768
Issuances of common shares pursuant to the Stock Option Plan	**78**	105
Repurchases of common shares for cancellation	**(31)**	(38)
Impact of shares purchased or sold for trading	**45**	(10)
Common shares at end	**2,914**	2,825
Contributed surplus at beginning	**57**	58
Stock option expense (Note 16)	**9**	9
Stock options exercised	**(10)**	(14)
Other	**(3)**	–
Contributed surplus at end	**53**	53
Retained earnings at beginning	**8,472**	7,706
Impact of adopting IFRS 15 on November 1, 2018 (IFRS 9 on November 1, 2017)	**(4)**	(139)
Net income attributable to the Bank's shareholders	**1,666**	1,595
Dividends on preferred shares (Note 14)	**(87)**	(73)
Dividends on common shares (Note 14)	**(664)**	(620)
Premium paid on common shares repurchased for cancellation (Note 14)	**(184)**	(241)
Share issuance expenses, net of income taxes	**–**	(12)
Remeasurements of pension plans and other post-employment benefit plans	**(122)**	173
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(14)**	1
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(8)**	15
Impact of a financial liability resulting from put options written to non-controlling interests	**(12)**	–
Other	**1**	(1)
Retained earnings at end	**9,044**	8,404
Accumulated other comprehensive income at beginning	**175**	168
Impact of adopting IFRS 9 on November 1, 2017		(10)
Net foreign currency translation adjustments	**1**	14
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	**(2)**	(11)
Net change in gains (losses) on cash flow hedges	**(119)**	(8)
Share in the other comprehensive income of associates and joint ventures	**4**	6
Accumulated other comprehensive income at end	**59**	159
Equity attributable to the Bank's shareholders	**14,520**	13,891
Non-controlling interests at beginning	**379**	808
Impact of adopting IFRS 9 on November 1, 2017		(16)
Redemption of trust units issued by NBC Asset Trust	**–**	(400)
Net income attributable to non-controlling interests	**52**	71
Other comprehensive income attributable to non-controlling interests	**–**	–
Distributions to non-controlling interests	**(56)**	(100)
Non-controlling interests at end	**375**	363
Equity	**14,895**	14,254

Accumulated Other Comprehensive Income

	As at July 31, 2019	As at July 31, 2018
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**15**	1
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**11**	18
Net gains (losses) on instruments designated as cash flow hedges	**32**	138
Share in the other comprehensive income of associates and joint ventures	**1**	2
	59	159

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)

	Nine months ended July 31	
	2019	2018
Cash flows from operating activities		
Net income	1,718	1,666
Adjustments for		
Provisions for credit losses	258	254
Amortization of premises and equipment and intangible assets	247	223
Gain on disposal of shares of Fiera Capital Corporation (Note 22)	(79)	–
Remeasurement at fair value of an investment (Note 6)	33	–
Provisions for onerous contracts (Note 13)	45	–
Gain on disposal of premises and equipment (Note 9)	(50)	–
Impairment losses on premises and equipment and on intangible assets (Notes 9 and 10)	57	–
Deferred taxes	(38)	(12)
Losses (gains) on sales of non-trading securities, net	(72)	(68)
Share in the net income of associates and joint ventures	(23)	(19)
Stock option expense	9	9
Change in operating assets and liabilities		
Securities at fair value through profit or loss	(11,627)	(5,583)
Securities purchased under reverse repurchase agreements and securities borrowed	4,231	4,536
Loans and acceptances, net of securitization	(5,057)	(6,892)
Deposits	16,389	9,924
Obligations related to securities sold short	(3,863)	(330)
Obligations related to securities sold under repurchase agreements and securities loaned	(234)	2,116
Derivative financial instruments, net	268	(112)
Interest and dividends receivable and interest payable	(70)	(35)
Current tax assets and liabilities	(135)	(102)
Other items	814	(358)
	2,821	5,217
Cash flows from financing activities		
Issuance of preferred shares	–	600
Redemption of preferred shares for cancellation	–	(200)
Issuances of common shares (including the impact of shares purchased for trading)	113	81
Repurchases of common shares for cancellation	(215)	(279)
Issuance of subordinated debt	–	750
Redemption of trust units issued by NBC Asset Trust	–	(400)
Share issuance expenses	–	(12)
Dividends paid	(736)	(682)
Distributions to non-controlling interests	(56)	(100)
	(894)	(242)
Cash flows from investing activities		
Disposal of shares of Fiera Capital Corporation (Note 22)	128	–
Disposal of premises and equipment (Note 9)	187	–
Net change in investments in associates and joint ventures	(238)	(8)
Purchases of securities at fair value through other comprehensive income	(9,606)	(4,574)
Maturities of securities at fair value through other comprehensive income	90	25
Sales of securities at fair value through other comprehensive income	6,466	3,718
Purchases of securities at amortized cost	(1,083)	(2,150)
Maturities of securities at amortized cost	739	270
Sales of securities at amortized cost	461	14
Net change in tangible assets leased under operating leases	–	67
Net change in premises and equipment	(96)	(181)
Net change in intangible assets	(262)	(175)
	(3,214)	(2,994)
Impact of currency rate movements on cash and cash equivalents	83	254
Increase (decrease) in cash and cash equivalents	(1,204)	2,235
Cash and cash equivalents at beginning	12,756	8,802
Cash and cash equivalents at end[1]	11,552	11,037
Supplementary information about cash flows from operating activities		
Interest paid	3,479	2,560
Interest and dividends received	6,069	5,081
Income taxes paid	291	454

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 $3.5 billion as at July 31, 2019 ($2.5 billion as at October 31, 2018) for which there are restrictions.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited) (millions of Canadian dollars)

Note 1	Basis of Presentation	47	**Note 12**	Deposits	68
Note 2	Accounting Policy Changes	47	**Note 13**	Other Liabilities	68
Note 3	Future Accounting Policy Changes	49	**Note 14**	Share Capital	69
Note 4	Fair Value of Financial Instruments	50	**Note 15**	Capital Disclosure	70
Note 5	Financial Instruments Designated at Fair Value Through Profit or Loss	55	**Note 16**	Share-Based Payments	71
Note 6	Securities	56	**Note 17**	Employee Benefits – Pension Plans and Other Post-Employment Benefits	71
Note 7	Loans and Allowances for Credit Losses	57	**Note 18**	Income Taxes	72
Note 8	Financial Assets Transferred But Not Derecognized	67	**Note 19**	Earnings Per Share	72
Note 9	Premises and Equipment	67	**Note 20**	Contingent Liabilities	73
Note 10	Intangible Assets	67	**Note 21**	Segment Disclosures	74
Note 11	Other Assets	68	**Note 22**	Disposal	75

Note 1 – Basis of Presentation

On August 27, 2019, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter and nine-month period ended July 31, 2019.

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

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

As stated in Note 2 to its audited annual consolidated financial statements for the year ended October 31, 2018, the Bank adopted IFRS 15 on November 1, 2018. As permitted by IFRS 15, the Bank did not restate comparative consolidated financial statements, and Note 2 to these consolidated financial statements presents the impact of IFRS 15 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2018. Since interim consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2018.

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

Note 2 – Accounting Policy Changes

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

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

Note 2 – Accounting Policy Changes (cont.)

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

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

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

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

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

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

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

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

Note 3 – Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact its consolidated financial statements. Aside from the adoption of IFRS 15 on November 1, 2018 and the below-explained adoption of IFRS 16, there have been no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2018.

IFRS 16 – *Leases*
In January 2016, the IASB issued IFRS 16 – *Leases*. The new standard replaces the previous lease accounting standard IAS 17 – *Leases* and the related interpretations. Under IAS 17, lessees and lessors had to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 provides a single lease accounting model for lessees, requiring them to recognize a right-of-use asset as well as a liability that reflects the present value of future lease payments. Lessees must also recognize a depreciation expense on the right-of-use asset and an interest expense on the lease liability in the statement of income. Short-term leases, which are defined as leases with terms of twelve months or less, and leases of low-value assets are exempt. As for lessors, IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between finance and operating leases being retained.

The Bank has elected to apply IFRS 16 using the modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of *Retained earnings* as at November 1, 2019, the date of initial application, with no restatement of comparative periods. For the Bank, the most significant impact will involve real estate leases, which are currently classified as operating leases. The Bank is continuing to assess the impact of IFRS 16 on its consolidated financial statements, to update its lease administration system, to develop the new internal controls and processes needed to apply IFRS 16, and to identify new disclosures required by the new standard.

(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 July 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	–	–	–	–	11,552	11,552	11,552	11,552
Securities	64,202	3,242	8,491	600	8,197	8,265	84,732	84,800
Securities purchased under reverse repurchase agreements and securities borrowed	–	145	–	–	13,783	13,783	13,928	13,928
Loans and acceptances, net of allowances	6,579	–	–	–	144,769	145,382	151,348	151,961
Other								
Derivative financial instruments	8,515	–	–	–	–	–	8,515	8,515
Other assets	–	–	–	–	1,111	1,111	1,111	1,111
Financial liabilities								
Deposits	–	11,161			176,058 (1)	176,601	187,219	187,762
Other								
Acceptances	–	–			6,834	6,834	6,834	6,834
Obligations related to securities sold short	13,917	–			–	–	13,917	13,917
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			19,764	19,764	19,764	19,764
Derivative financial instruments	6,211	–			–	–	6,211	6,211
Liabilities related to transferred receivables	–	7,388			13,161	13,230	20,549	20,618
Other liabilities	25	–			3,004	3,005	3,029	3,030
Subordinated debt	–	–			773	767	773	767

(1) Includes embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

As at October 31, 2018

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

(1) Includes embedded derivative financial instruments.

Establishing Fair Value

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

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

Fair value is established in accordance with a rigorous control framework. The Bank has policies and procedures that govern the process for determining fair value. The Bank's valuation governance structure has remained largely unchanged from that described in Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. The valuation techniques used to determine the fair value of financial assets and liabilities are also described in this note, and no significant changes have been made to the valuation techniques.

(unaudited) (millions of Canadian dollars)

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

Financial Instruments Recorded at Fair Value on the Consolidated Balance Sheet

Hierarchy of Fair Value Measurements

IFRS establishes a fair value hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. This fair value hierarchy requires observable market inputs to be used whenever such inputs exist. According to the hierarchy, the highest level of inputs are unadjusted quoted prices in active markets for identical instruments and the lowest level of inputs are unobservable inputs. If inputs from different levels of the hierarchy are used, the financial instrument is classified in the same level as the lowest level input that is significant to the fair value measurement. For additional information, see Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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

During the quarter ended July 31, 2019, $9 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 ($46 million in securities classified as at fair value through profit or loss and $2 million in obligations related to securities sold short during the quarter ended July 31, 2018). Also during the quarter ended July 31, 2019, $1 million in securities classified as at fair value through profit or loss were transferred from Level 1 to Level 2 ($5 million in securities classified as at fair value through profit or loss and $2 million in obligations related to securities sold short during the quarter ended July 31, 2018). During the nine-month periods ended July 31, 2019 and 2018, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.

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

				As at July 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	1,786	9,092	–	10,878
Canadian provincial and municipal governments	–	7,049	–	7,049
U.S. Treasury, other U.S. agencies and other foreign governments	5,129	706	–	5,835
Other debt securities	–	2,566	27	2,593
Equity securities	39,945	778	366	41,089
	46,860	20,191	393	67,444
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	195	4,019	–	4,214
Canadian provincial and municipal governments	–	1,657	–	1,657
U.S. Treasury, other U.S. agencies and other foreign governments	2,240	75	–	2,315
Other debt securities	–	305	–	305
Equity securities	72	165	363	600
	2,507	6,221	363	9,091
Securities purchased under reverse repurchase agreements and securities borrowed	–	145	–	145
Loans	–	6,213	366	6,579
Other				
Derivative financial instruments	101	8,389	25	8,515
	49,468	41,159	1,147	91,774
Financial liabilities				
Deposits	–	11,329	–	11,329
Other				
Obligations related to securities sold short	9,762	4,155	–	13,917
Derivative financial instruments	154	6,037	20	6,211
Liabilities related to transferred receivables	–	7,388	–	7,388
Other liabilities	–	25	–	25
	9,916	28,934	20	38,870

(unaudited) (millions of Canadian dollars)

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

Financial Instruments Classified in Level 3

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

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

Sensitivity Analysis of Financial Instruments Classified in Level 3
The Bank performs sensitivity analyses on the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably possible alternative assumptions. For additional information on how a change in unobservable input might affect the fair value measurements of Level 3 financial instruments, see Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. For the nine-month period ended July 31, 2019, there were no significant changes in the sensitivity analyses of Level 3 financial instruments, except for equity securities and other debt securities for which the reasonable fair value range could result in a $113 million increase or decrease in the fair value recorded as at July 31, 2019 (a $70 million increase or decrease as at October 31, 2018).

(unaudited) (millions of Canadian dollars)

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

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.

				Nine months ended July 31, 2019	
	Securities at fair value through profit or loss	**Securities at fair value through other comprehensive income**	**Loans**	**Derivative financial instruments[1]**	**Deposits**
Fair value as at October 31, 2018	**313**	**233**	**386**	**(7)**	**(11)**
Total realized and unrealized gains (losses) included in *Net income*[2]	**1**	**–**	**18**	**16**	**–**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**(2)**	**–**	**–**	**–**
Purchases[3]	**117**	**132**	**–**	**–**	**–**
Sales	**(38)**	**–**	**–**	**–**	**–**
Issuances	**–**	**–**	**4**	**–**	**–**
Settlements and other	**–**	**–**	**(42)**	**3**	**–**
Financial instruments transferred into Level 3	**–**	**–**	**–**	**(10)**	**–**
Financial instruments transferred out of Level 3	**–**	**–**	**–**	**3**	**11**
Fair value as at July 31, 2019	**393**	**363**	**366**	**5**	**–**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at July 31, 2019[4]	**(6)**	**–**	**18**	**16**	**–**

				Nine months ended July 31, 2018	
	Securities at fair value through profit or loss	Securities at fair value through other comprehensive income	Loans	Derivative financial instruments[1]	Deposits
Fair value as at November 1, 2017	184	158	428	20	(1)
Total realized and unrealized gains (losses) included in *Net income*[5]	34	–	16	(6)	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	–	–	–	–
Purchases	17	75	–	–	–
Sales	(17)	–	–	–	–
Issuances	–	–	6	–	–
Settlements and other	–	–	(55)	(5)	–
Financial instruments transferred into Level 3	1	–	–	–	–
Financial instruments transferred out of Level 3	–	–	–	(14)	1
Fair value as at July 31, 2018	219	233	395	(5)	–
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at July 31, 2018[6]	14	–	16	(6)	–

(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 $35 million.
(3) On June 30, 2019, the Bank concluded that it had lost significant influence over NSIA Participations (NSIA), an associate entity in the Ivory Coast, and therefore ceased using the equity method to account for this investment. The Bank designated its investment in NSIA as a financial asset (securities) measured at fair value through other comprehensive income in an amount of $128 million.
(4) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $28 million.
(5) Total gains (losses) included in *Non-interest income* was a gain of $44 million.
(6) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $24 million.

(unaudited) (millions of Canadian dollars)

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

The Bank chose to designate certain financial instruments at fair value through profit or loss according to the criteria presented in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018. Consistent with its risk management strategy and under the fair value option, which permits the designation if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets and liabilities or recognizing gains and losses on different bases, the Bank designated at fair value through profit or loss certain securities, certain securities purchased under reverse repurchase agreements, certain obligations related to securities sold under repurchase agreements, and certain liabilities related to transferred receivables. The fair value of liabilities related to transferred receivables does not include credit risk, as the holders of these liabilities are not exposed to the Bank's credit risk. There is no exposure to credit risk on the loans to the extent that they are fully collateralized. The Bank also designated certain deposits that include embedded derivative financial instruments at fair value through profit or loss.

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

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

	Carrying value as at July 31, 2019	**Unrealized gains (losses) for the quarter ended July 31, 2019**	**Unrealized gains (losses) for the nine months ended July 31, 2019**	**Unrealized gains (losses) since the initial recognition of the instrument**
Financial assets designated at fair value through profit or loss				
Securities	3,242	15	86	20
Securities purchased under reverse repurchase agreements	145	–	–	–
	3,387	15	86	20
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	11,161	(29)	(722)	(132)
Liabilities related to transferred receivables	7,388	(14)	(161)	(73)
	18,549	(43)	(883)	(205)

	Carrying value as at July 31, 2018	Unrealized gains (losses) for the quarter ended July 31, 2018	Unrealized gains (losses) for the nine months ended July 31, 2018	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	4,286	(3)	(40)	(79)
Securities purchased under reverse repurchase agreements	569	–	–	–
	4,855	(3)	(40)	(79)
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	9,706	(40)	123	150
Securities sold under repurchase agreements	355	–	–	–
Liabilities related to transferred receivables	7,367	28	130	46
	17,428	(12)	253	196

(1) For the quarter ended July 31, 2019, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income,* resulted in a loss of $4 million ($30 million gain for the quarter ended July 31, 2018). For the nine-month period ended July 31, 2019, the corresponding change in this item resulted in a loss of $11 million ($20 million gain for the nine-month period ended July 31, 2018).

(2) The amount at maturity that the Bank will be contractually required to pay to the holders of these deposits varies and will differ from the reporting date fair value.

(unaudited) (millions of Canadian dollars)

Note 6 – Securities

Credit Quality

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

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

				As at July 31, 2019
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value[1]
Securities issued or guaranteed by				
Canadian government	4,186	29	(1)	4,214
Canadian provincial and municipal governments	1,605	52	–	1,657
U.S. Treasury, other U.S. agencies and other foreign governments	2,307	8	–	2,315
Other debt securities	295	10	–	305
Equity securities	619	2	(21)	600
	9,012	101	(22)	9,091

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

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

Equity Securities Designated at Fair Value Through Other Comprehensive Income

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

During the nine-month period ended July 31, 2019, an amount of $13 million in dividend income was recognized for these investments ($9 million for the nine-month period ended July 31, 2018), including negligible amounts for investments that were sold during the nine-month periods ended July 31, 2019 and 2018.

	Nine months ended July 31, 2019			Nine months ended July 31, 2018		
	Equity securities of private companies	Equity securities of public companies	Total	Equity securities of private companies	Equity securities of public companies	Total
Fair value at the beginning	233	118	351	158	122	280
Change in fair value	(2)	(15)	(17)	–	2	2
Designated at fair value through other comprehensive income[1][2]	132	179	311	75	27	102
Sales[3]	–	(45)	(45)	–	(33)	(33)
Fair value at the end	363	237	600	233	118	351

(1) On June 30, 2019, the Bank concluded that it had lost significant influence over NSIA Participations (NSIA), an associate entity in the Ivory Coast, and therefore ceased using the equity method to account for this investment. The Bank designated its investment in NSIA as a financial asset measured at fair value through other comprehensive income in an amount of $128 million. Following the fair value measurement, a $33 million loss was recorded in the *Non-interest income – Other* item of the Consolidated Statement of Income and reported in the *Other* heading of segment results.

(2) On May 9, 2019, after disposing of a portion of its investment in Fiera Capital Corporation, the Bank designated the retained interest as a financial asset measured at fair value through other comprehensive income.

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

(unaudited) (millions of Canadian dollars)

Securities at Amortized Cost

	As at July 31, 2019	As at October 31, 2018
Securities issued or guaranteed by		
Canadian government	4,766	4,952
Canadian provincial and municipal governments	1,759	1,680
U.S. Treasury, other U.S. agencies and other foreign governments	123	21
Other debt securities	1,550	1,646
Gross carrying value	8,198	8,299
Allowances for credit losses	1	1
Carrying value	8,197	8,298

Gains (Losses) on Disposals of Securities at Amortized Cost

During the nine-month periods ended July 31, 2019 and 2018, the Bank sold certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $461 million for the nine-month period ended July 31, 2019 ($14 million for the nine-month period ended July 31, 2018), and the Bank recognized negligible gains in *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income for the nine-month periods ended July 31, 2019 and 2018.

Note 7 – Loans and Allowances for Credit Losses

Determining and Measuring Expected Credit Losses (ECL)

Determining Expected Credit Losses

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

Stage 1

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

Stage 2

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

Stage 3

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

POCI

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

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

Credit Quality of Loans

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

(unaudited) (millions of Canadian dollars)

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

						As at July 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	21,567	–	–	–	–	21,567
Good	14,168	3	–	–	–	14,171
Satisfactory	8,411	293	–	–	–	8,704
Special mention	438	436	–	–	–	874
Substandard	104	242	–	–	–	346
Default	–	–	112	–	–	112
AIRB approach	44,688	974	112	–	–	45,774
Standardized approach	3,356	20	27	556	6,249	10,208
Gross carrying amount	48,044	994	139	556	6,249	55,982
Allowances for credit losses[2]	35	10	24	(56)	–	13
Carrying amount	48,009	984	115	612	6,249	55,969
Personal						
Excellent	14,120	–	–	–	–	14,120
Good	10,168	56	–	–	–	10,224
Satisfactory	5,332	1,141	–	–	–	6,473
Special mention	476	669	–	–	–	1,145
Substandard	108	198	–	–	–	306
Default	–	–	132	–	–	132
AIRB approach	30,204	2,064	132	–	–	32,400
Standardized approach	3,729	94	22	702	–	4,547
Gross carrying amount	33,933	2,158	154	702	–	36,947
Allowances for credit losses[2]	63	103	66	(4)	–	228
Carrying amount	33,870	2,055	88	706	–	36,719
Credit card						
Excellent	368	–	–	–	–	368
Good	322	–	–	–	–	322
Satisfactory	799	16	–	–	–	815
Special mention	425	233	–	–	–	658
Substandard	22	110	–	–	–	132
Default	–	–	–	–	–	–
AIRB approach	1,936	359	–	–	–	2,295
Standardized approach	27	–	–	–	–	27
Gross carrying amount	1,963	359	–	–	–	2,322
Allowances for credit losses[2]	27	96	–	–	–	123
Carrying amount	1,936	263	–	–	–	2,199
Business and government[3]						
Excellent	4,736	–	–	–	108	4,844
Good	23,309	4	–	–	54	23,367
Satisfactory	21,290	727	–	–	75	22,092
Special mention	994	1,588	–	–	–	2,582
Substandard	13	216	–	–	–	229
Default	–	–	344	–	–	344
AIRB approach	50,342	2,535	344	–	237	53,458
Standardized approach	3,194	–	37	2	93	3,326
Gross carrying amount	53,536	2,535	381	2	330	56,784
Allowances for credit losses[2]	54	104	164	1	–	323
Carrying amount	53,482	2,431	217	1	330	56,461
Total loans						
Gross carrying amount	137,476	6,046	674	1,260	6,579	152,035
Allowances for credit losses[2]	179	313	254	(59)	–	687
Carrying amount	137,297	5,733	420	1,319	6,579	151,348

(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)

As at October 31, 2018

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

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

(unaudited) (millions of Canadian dollars)

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

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

	As at July 31, 2019				As at October 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments[1]								
Retail								
Excellent	11,901	2	–	11,903	11,440	9	–	11,449
Good	3,688	27	–	3,715	2,450	13	–	2,463
Satisfactory	1,412	149	–	1,561	969	117	–	1,086
Special mention	121	86	–	207	79	77	–	156
Substandard	4	21	–	25	2	13	–	15
Default	–	–	4	4	–	–	2	2
Non-retail								
Excellent	9,662	–	–	9,662	5,881	–	–	5,881
Good	14,663	–	–	14,663	13,570	–	–	13,570
Satisfactory	5,338	259	–	5,597	4,302	353	–	4,655
Special mention	247	284	–	531	133	142	–	275
Substandard	2	13	–	15	3	6	–	9
Default	–	–	9	9	–	–	4	4
AIRB approach	47,038	841	13	47,892	38,829	730	6	39,565
Standardized approach	5,845	–	–	5,845	6,434	–	5	6,439
Total exposure	52,883	841	13	53,737	45,263	730	11	46,004
Allowances for credit losses	51	23	2	76	38	15	1	54
Total exposure, net of allowances	52,832	818	11	53,661	45,225	715	10	45,950

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

Loans Past Due But Not Impaired[1]

	As at July 31, 2019				As at October 31, 2018			
	Residential mortgage	Personal	Credit card	Business and government[2]	Residential mortgage	Personal	Credit card	Business and government[2]
Past due but not impaired								
31 to 60 days	91	95	26	36	105	102	27	36
61 to 90 days	35	35	12	34	41	59	13	41
Over 90 days[3]	–	–	27	–	–	–	27	–
	126	130	65	70	146	161	67	77

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

Impaired Loans

	As at July 31, 2019			As at October 31, 2018		
	Gross	Allowances for credit losses	Net	Gross	Allowances for credit losses	Net
Loans – Stage 3						
Residential mortgage	139	24	115	151	21	130
Personal	154	66	88	164	71	93
Credit card[1]	–	–	–	–	–	–
Business and government[2]	381	164	217	315	134	181
	674	254	420	630	226	404
POCI loans	1,260	(59)	1,319	1,576	(66)	1,642
	1,934	195	1,739	2,206	160	2,046

(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)

Allowances for Credit Losses

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

						Quarter ended July 31, 2019
	Allowances for credit losses as at April 30, 2019	Provisions for credit losses	Write-offs[1]	Disposals	Recoveries and other	Allowances for credit losses as at July 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	8	7	(2)	–	–	13
Personal	238	29	(45)	–	6	228
Credit card	130	16	(26)	–	3	123
Business and government	272	20	(5)	–	1	288
Customers' liability under acceptances	35	–	–	–	–	35
	683	72	(78)	–	10	687
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	3	3	–	–	–	6
Undrawn commitments	57	11	–	–	–	68
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	62	14	–	–	–	76
	747	86	(78)	–	10	765

						Quarter ended July 31, 2018
	Allowances for credit losses as at April 30, 2018	Provisions for credit losses	Write-offs[1]	Disposals	Recoveries and other	Allowances for credit losses as at July 31, 2018
Balance sheet						
Cash and deposits with financial institutions[2][3]	1	–	–	–	–	1
Securities[3]						
At fair value through other comprehensive income[4]	–	–	–	–	–	–
At amortized cost[2]	1	–	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed[2][3]	–	–	–	–	–	–
Loans[5]						
Residential mortgage	23	(2)	(1)	–	1	21
Personal	266	31	(53)	–	7	251
Credit card	132	20	(24)	–	(3)	125
Business and government	228	21	(10)	–	1	240
Customers' liability under acceptances	17	4	–	–	–	21
	666	74	(88)	–	6	658
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	3	1	–	–	–	4
Undrawn commitments	47	1	–	–	6	54
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	52	2	–	–	6	60
	720	76	(88)	–	12	720

(1) The contractual amount outstanding on financial assets that were written off during the quarter ended July 31, 2019 and that are still subject to enforcement activity was $39 million ($39 million for the quarter ended July 31, 2018).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at July 31, 2019 and 2018, these financial assets were mainly classified in Stage 1 and their credit quality fell within the *Excellent* category.
(4) The allowances for credit losses are reported in the *Accumulated other comprehensive income* item of the Consolidated Balance Sheet.
(5) The allowances for credit losses are reported in the *Allowances for credit losses* item of the Consolidated Balance Sheet.
(6) The allowances for credit losses are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

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

	Nine months ended July 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 July 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	17	(5)	–	–	13
Personal	259	98	(150)	–	21	228
Credit card	129	61	(76)	–	9	123
Business and government	249	45	(12)	–	6	288
Customers' liability under acceptances	20	15	–	–	–	35
	658	236	(243)	–	36	687
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	3	3	–	–	–	6
Undrawn commitments	49	19	–	–	–	68
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	54	22	–	–	–	76
	714	258	(243)	–	36	765

	Nine months ended July 31, 2018					
	Allowances for credit losses as at November 1, 2017	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at July 31, 2018
Balance sheet						
Cash and deposits with financial institutions(2)(3)	1	–	–	–	–	1
Securities(3)						
At fair value through other comprehensive income(4)	–	–	–	–	–	–
At amortized cost(2)	3	(2)	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	18	8	(6)	–	1	21
Personal	261	124	(143)	(5)	14	251
Credit card	128	67	(74)	–	4	125
Business and government	250	56	(55)	(13)	2	240
Customers' liability under acceptances	16	5	–	–	–	21
	673	260	(278)	(18)	21	658
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	3	1	–	–	–	4
Undrawn commitments	54	(6)	–	–	6	54
Backstop liquidity and credit enhancement facilities	1	1	–	–	–	2
	58	(4)	–	–	6	60
	735	254	(278)	(18)	27	720

(1) The contractual amount outstanding on financial assets that were written off during the nine-month period ended July 31, 2019 and that are still subject to enforcement activity was $123 million ($113 million for the nine-month period ended July 31, 2018).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at July 31, 2019 and 2018, these financial assets were mainly classified in Stage 1 and their credit quality fell within the *Excellent* category.
(4) The allowances for credit losses are reported in the *Accumulated other comprehensive income* item of the Consolidated Balance Sheet.
(5) The allowances for credit losses are reported in the *Allowances for credit losses* item of the Consolidated Balance Sheet.
(6) The allowances for credit losses are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

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

	Quarter ended July 31, 2019					Quarter ended July 31, 2018				
	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	34	11	23	(60)	8	26	13	18	(34)	23
Originations or purchases	2	–	–	–	2	4	–	–	–	4
Transfers[2]:										
to Stage 1	3	(2)	(1)	–	–	4	(3)	(1)	–	–
to Stage 2	–	–	–	–	–	–	–	–	–	–
to Stage 3	–	(1)	1	–	–	–	(1)	1	–	–
Net remeasurement of loss allowances[3]	(3)	2	3	3	5	(5)	4	4	(7)	(4)
Derecognitions[4]	–	–	–	–	–	–	(1)	(1)	–	(2)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	2	(1)	3	3	7	3	(1)	3	(7)	(2)
Write-offs	–	–	(2)	–	(2)	–	–	(1)	–	(1)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	1	–	1	–	–	1	–	1
Foreign exchange movements and other	(1)	–	(1)	1	(1)	–	–	–	–	–
Balance at end	35	10	24	(56)	13	29	12	21	(41)	21
Includes:										
Amounts drawn	35	10	24	(56)	13	29	12	21	(41)	21
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance at beginning	65	105	71	(1)	240	75	128	65	–	268
Originations or purchases	16	–	–	–	16	8	–	–	–	8
Transfers[2]:										
to Stage 1	18	(16)	(2)	–	–	25	(24)	(1)	–	–
to Stage 2	(4)	5	(1)	–	–	(7)	9	(2)	–	–
to Stage 3	(2)	(20)	22	–	–	(2)	(34)	36	–	–
Net remeasurement of loss allowances[3]	(26)	34	15	(3)	20	(29)	51	17	(2)	37
Derecognitions[4]	(3)	(3)	(1)	–	(7)	(4)	(4)	(1)	–	(9)
Changes to models	–	–	–	–	–	3	(8)	–	–	(5)
Provisions for credit losses	(1)	–	33	(3)	29	(6)	(10)	49	(2)	31
Write-offs	–	–	(45)	–	(45)	–	–	(53)	–	(53)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	8	–	8	–	–	6	–	6
Foreign exchange movements and other	–	(1)	(1)	–	(2)	1	1	–	(1)	1
Balance at end	64	104	66	(4)	230	70	119	67	(3)	253
Includes:										
Amounts drawn	63	103	66	(4)	228	69	118	67	(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 July 31, 2019 was $37 million ($24 million for the quarter ended July 31, 2018). 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 July 31, 2019					Quarter ended July 31, 2018				
	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	41	117	–	–	158	41	116	–	–	157
Originations or purchases	2	–	–	–	2	2	–	–	–	2
Transfers(2):										
to Stage 1	33	(33)	–	–	–	25	(25)	–	–	–
to Stage 2	(3)	3	–	–	–	(3)	3	–	–	–
to Stage 3	–	(11)	11	–	–	–	(14)	14	–	–
Net remeasurement of loss allowances(3)	(35)	39	12	–	16	(23)	45	7	–	29
Derecognitions(4)	(1)	–	–	–	(1)	–	(12)	–	–	(12)
Changes to models	12	(7)	–	–	5	–	–	–	–	–
Provisions for credit losses	8	(9)	23	–	22	1	(3)	21	–	19
Write-offs	–	–	(26)	–	(26)	–	–	(24)	–	(24)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	3	–	3	–	–	3	–	3
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	49	108	–	–	157	42	113	–	–	155
Includes:										
Amounts drawn	27	96	–	–	123	25	100	–	–	125
Undrawn commitments(5)	22	12	–	–	34	17	13	–	–	30
Business and government(6)										
Balance at beginning	71	108	154	1	334	57	86	122	–	265
Originations or purchases	7	–	–	–	7	9	–	–	–	9
Transfers(2):										
to Stage 1	6	(3)	(3)	–	–	4	(4)	–	–	–
to Stage 2	(2)	3	(1)	–	–	(1)	2	(1)	–	–
to Stage 3	(1)	(1)	2	–	–	–	–	–	–	–
Net remeasurement of loss allowances(3)	(2)	6	20	–	24	(1)	5	20	–	24
Derecognitions(4)	(2)	(1)	(3)	–	(6)	(3)	(1)	(2)	–	(6)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	6	4	15	–	25	8	2	17	–	27
Write-offs	–	–	(5)	–	(5)	–	–	(10)	–	(10)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	1	–	1	–	–	1	–	1
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	77	112	165	1	355	65	88	130	–	283
Includes:										
Amounts drawn	54	104	164	1	323	49	83	129	–	261
Undrawn commitments(5)	23	8	1	–	32	16	5	1	–	22
Total allowances for credit losses at end(7)	225	334	255	(59)	755	206	332	218	(44)	712
Includes:										
Amounts drawn	179	313	254	(59)	687	172	313	217	(44)	658
Undrawn commitments(5)	46	21	1	–	68	34	19	1	–	54

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended July 31, 2019 was $37 million ($24 million for the quarter ended July 31, 2018). 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)

	Nine months ended July 31, 2019					Nine months ended July 31, 2018				
	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	31	13	21	(64)	1	22	10	17	(31)	18
Originations or purchases	13	–	–	–	13	10	–	–	–	10
Transfers[2]:										
to Stage 1	11	(8)	(3)	–	–	8	(7)	(1)	–	–
to Stage 2	–	1	(1)	–	–	–	2	(2)	–	–
to Stage 3	–	(3)	3	–	–	–	(3)	3	–	–
Net remeasurement of loss allowances[3]	(20)	7	9	8	4	(9)	12	11	(10)	4
Derecognitions[4]	–	–	–	–	–	(1)	(2)	(3)	–	(6)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	4	(3)	8	8	17	8	2	8	(10)	8
Write-offs	–	–	(5)	–	(5)	–	–	(6)	–	(6)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	1	–	1	–	–	3	–	3
Foreign exchange movements and other	–	–	(1)	–	(1)	(1)	–	(1)	–	(2)
Balance at end	35	10	24	(56)	13	29	12	21	(41)	21
Includes:										
Amounts drawn	35	10	24	(56)	13	29	12	21	(41)	21
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance at beginning	72	121	71	(3)	261	91	107	59	7	264
Originations or purchases	35	–	–	–	35	31	–	–	–	31
Transfers[2]:										
to Stage 1	58	(52)	(6)	–	–	57	(55)	(2)	–	–
to Stage 2	(15)	18	(3)	–	–	(21)	26	(5)	–	–
to Stage 3	(6)	(72)	78	–	–	(6)	(92)	98	–	–
Net remeasurement of loss allowances[3]	(73)	98	58	(1)	82	(74)	150	49	(4)	121
Derecognitions[4]	(8)	(8)	(3)	–	(19)	(12)	(10)	(2)	–	(24)
Changes to models	–	–	–	–	–	3	(8)	–	–	(5)
Provisions for credit losses	(9)	(16)	124	(1)	98	(22)	11	138	(4)	123
Write-offs	–	–	(150)	–	(150)	–	–	(143)	–	(143)
Disposals	–	–	–	–	–	–	–	–	(5)	(5)
Recoveries	–	–	22	–	22	–	–	14	–	14
Foreign exchange movements and other	1	(1)	(1)	–	(1)	1	1	(1)	(1)	–
Balance at end	64	104	66	(4)	230	70	119	67	(3)	253
Includes:										
Amounts drawn	63	103	66	(4)	228	69	118	67	(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 nine months ended July 31, 2019 was $66 million ($127 million for the nine months ended July 31, 2018). 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.)

	Nine months ended July 31, 2019					Nine months ended July 31, 2018				
	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	40	115	–	–	155	41	112	–	–	153
Originations or purchases	6	–	–	–	6	6	–	–	–	6
Transfers(2):										
to Stage 1	76	(76)	–	–	–	71	(71)	–	–	–
to Stage 2	(11)	11	–	–	–	(11)	11	–	–	–
to Stage 3	(2)	(29)	31	–	–	–	(40)	40	–	–
Net remeasurement of loss allowances(3)	(69)	95	36	–	62	(65)	125	24	–	84
Derecognitions(4)	(3)	(1)	–	–	(4)	–	(24)	–	–	(24)
Changes to models	12	(7)	–	–	5	–	–	–	–	–
Provisions for credit losses	9	(7)	67	–	69	1	1	64	–	66
Write-offs	–	–	(76)	–	(76)	–	–	(74)	–	(74)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	9	–	9	–	–	10	–	10
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	49	108	–	–	157	42	113	–	–	155
Includes:										
Amounts drawn	27	96	–	–	123	25	100	–	–	125
Undrawn commitments(5)	22	12	–	–	34	17	13	–	–	30
Business and government(6)										
Balance at beginning	65	89	135	1	290	53	74	165	–	292
Originations or purchases	23	–	–	–	23	27	–	–	–	27
Transfers(2):										
to Stage 1	15	(8)	(7)	–	–	18	(13)	(5)	–	–
to Stage 2	(6)	13	(7)	–	–	(3)	5	(2)	–	–
to Stage 3	(1)	(3)	4	–	–	–	–	–	–	–
Net remeasurement of loss allowances(3)	(12)	24	54	–	66	(20)	25	45	–	50
Derecognitions(4)	(7)	(3)	(8)	–	(18)	(10)	(3)	(7)	–	(20)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	12	23	36	–	71	12	14	31	–	57
Write-offs	–	–	(12)	–	(12)	–	–	(55)	–	(55)
Disposals	–	–	–	–	–	–	–	(13)	–	(13)
Recoveries	–	–	7	–	7	–	–	3	–	3
Foreign exchange movements and other	–	–	(1)	–	(1)	–	–	(1)	–	(1)
Balance at end	77	112	165	1	355	65	88	130	–	283
Includes:										
Amounts drawn	54	104	164	1	323	49	83	129	–	261
Undrawn commitments(5)	23	8	1	–	32	16	5	1	–	22
Total allowances for credit losses at end(7)	225	334	255	(59)	755	206	332	218	(44)	712
Includes:										
Amounts drawn	179	313	254	(59)	687	172	313	217	(44)	658
Undrawn commitments(5)	46	21	1	–	68	34	19	1	–	54

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the nine months ended July 31, 2019 was $66 million ($127 million for the nine months ended July 31, 2018). 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 9 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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

	As at July 31, 2019	As at October 31, 2018
Carrying value of financial assets transferred but not derecognized		
Securities(1)	49,492	44,125
Residential mortgages	19,730	20,064
	69,222	64,189
Carrying value of associated liabilities(2)	34,747	32,834
Fair value of financial assets transferred but not derecognized		
Securities(1)	49,492	44,125
Residential mortgages	19,881	19,993
	69,373	64,118
Fair value of associated liabilities(2)	34,815	32,809

(1) The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For the obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties.
(2) Associated liabilities include obligations related to securities sold under repurchase agreements before the offsetting impact of $3,154 million as at July 31, 2019 ($287 million as at October 31, 2018) and liabilities related to transferred receivables. Liabilities related to securities loaned are not included, as the Bank can lend its own financial assets and those of third parties. The carrying value and fair value of liabilities related to securities loaned were $8,721 million as at July 31, 2019 ($7,550 million as at October 31, 2018).

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

	As at July 31, 2019	As at October 31, 2018
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	20,210	20,576
Securities sold under repurchase agreements	14,783	12,927
Securities loaned	34,229	30,686
	69,222	64,189

Note 9 – Premises and Equipment

On July 30, 2019, the Bank completed the sale of its head office land and building located at 600 De La Gauchetière Street West, Montreal, Quebec, Canada, for gross proceeds of $187 million. At the same time, the Bank entered into a four-year operating lease with the purchaser. This sale-leaseback transaction resulted in a gain of $50 million, which was recognized in the *Non-Interest Income – Other* item of the Consolidated Statement of Income and reported in the *Other* heading of segment results.

Also during the quarter ended July 31, 2019, an amount of $13 million in impairment losses on computer equipment was recorded in the *Non-interest expenses – Technology* item of the Consolidated Statement of Income and reported in the *Other* heading of segment results.

Note 10 – Intangible Assets

The Bank wrote off certain technology developments due to obsolescence and decided to discontinue them. The recoverable amount of those technology developments was estimated to be nil. During the quarter ended July 31, 2019, an amount of $44 million in impairment losses was recognized in the *Non-interest expenses – Technology* item of the Consolidated Statement of Income and reported in the *Other* heading of segment results.

(unaudited) (millions of Canadian dollars)

Note 11 – Other Assets

	As at July 31, 2019	As at October 31, 2018
Receivables, prepaid expenses and other items	744	775
Interest and dividends receivable	558	549
Due from clients, dealers and brokers	553	1,255
Defined benefit asset	38	64
Deferred tax assets	390	324
Current tax assets	297	113
Reinsurance assets	33	31
	2,613	3,111

Note 12 – Deposits

				As at July 31, 2019	As at October 31, 2018
	On demand[1]	After notice[2]	Fixed term[3]	Total	Total
Personal	4,176	26,150	28,625	58,951	55,688
Business and government	38,612	20,746	64,341	123,699	110,321
Deposit-taking institutions	2,155	1,255	1,159	4,569	4,821
	44,943	48,151	94,125	187,219	170,830

(1) Demand deposits are deposits for which the Bank does not have the right to require notice of withdrawal and consist essentially of deposits in chequing accounts.
(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 $9.4 billion as at July 31, 2019 ($8.3 billion as at October 31, 2018). During the nine months ended July 31, 2019, an amount of 1.0 billion euros of covered bonds issued under the legislative covered bond program came to maturity, and the Bank issued covered bonds in amounts of US$1.3 billion and 750 million euros (an amount of US$750 million of covered bonds issued under the legislative covered bond program came to maturity, and the Bank issued covered bonds for an amount of 1.5 billion euros during the nine-month period ended July 31, 2018). For additional information on covered bonds, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2018.

The *Deposits – Business and government* item also includes a $2.2 billion amount of deposits 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 13 – Other Liabilities

	As at July 31, 2019	As at October 31, 2018
Accounts payable and accrued expenses	1,655	1,790
Subsidiaries' debts to third parties	1,188	1,033
Interest and dividends payable	967	1,012
Due to clients, dealers and brokers	591	796
Defined benefit liability	305	186
Allowances for credit losses — off-balance-sheet commitments (Note 7)	76	54
Deferred tax liabilities	3	25
Current tax liabilities	97	48
Insurance liabilities	25	50
Other items[(1)(2)(3)]	1,243	830
	6,150	5,824

(1) As at July 31, 2019, other items included an $8 million restructuring provision ($14 million as at October 31, 2018).
(2) As at July 31, 2019, other items included a $9 million litigation provision ($9 million as at October 31, 2018).
(3) During the quarter ended July 31, 2019, the Bank reviewed all of the leases for its corporate buildings and recorded a $45 million provision for onerous contracts in the *Non-interest expenses – Occupancy* item of the Consolidated Statement of Income and reported in the *Other* heading of segment results. As at July 31, 2019, other items included a $48 million onerous contracts provision ($3 million as at October 31, 2018).

(unaudited) (millions of Canadian dollars)

Note 14 – Share Capital

Repurchase of Common Shares

On June 10, 2019, the Bank began a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares (representing approximately 1.80% of its outstanding common shares) over the 12-month period ending no later than June 9, 2020. On June 6, 2018, the Bank had begun a normal course issuer bid to repurchase for cancellation up to 8,000,000 common shares (representing approximately 2.36% of its outstanding common shares) over the 12-month period ended June 5, 2019. Any repurchase through the Toronto Stock Exchange is done at market prices. The common shares may also be repurchased through other means authorized by the Toronto Stock Exchange and applicable regulations, including private agreements or share repurchase programs under issuer bid exemption orders issued by the securities regulators. A private purchase made under an exemption order issued by a securities regulator will be done at a discount to the prevailing market price. The amounts that are paid above the average book value of the common shares are charged to *Retained earnings.* During the nine months ended July 31, 2019, the Bank repurchased 3,547,200 common shares for $215 million, which reduced *Common share* capital by $31 million and *Retained earnings* by $184 million. During the nine-month period ended July 31, 2018, the Bank had repurchased 4,500,000 common shares for $279 million, which had reduced *Common share* capital by $38 million and *Retained earnings* by $241 million.

Shares Outstanding

	As at July 31, 2019		As at October 31, 2018	
	Number of shares	**Shares $**	Number of shares	Shares $
First Preferred Shares				
Series 30	**14,000,000**	**350**	14,000,000	350
Series 32	**12,000,000**	**300**	12,000,000	300
Series 34	**16,000,000**	**400**	16,000,000	400
Series 36	**16,000,000**	**400**	16,000,000	400
Series 38	**16,000,000**	**400**	16,000,000	400
Series 40	**12,000,000**	**300**	12,000,000	300
Series 42	**12,000,000**	**300**	12,000,000	300
	98,000,000	**2,450**	98,000,000	2,450
Common shares at beginning of the fiscal year	**335,070,642**	**2,822**	339,591,965	2,768
Issued pursuant to the Stock Option Plan	**1,983,923**	**78**	3,129,313	128
Repurchases of common shares for cancellation	**(3,547,200)**	**(31)**	(7,500,000)	(64)
Impact of shares purchased or sold for trading(1)	**704,275**	**45**	(149,430)	(10)
Other	**(1,517)**	**–**	(1,206)	–
Common shares at end of the period	**334,210,123**	**2,914**	335,070,642	2,822

(1) As at July 31, 2019, 865 shares were sold short for trading, representing a negligible amount (703,410 shares held for trading representing $45 million as at October 31, 2018).

Dividends Declared

	Nine months ended July 31			
	2019		2018	
	Dividends $	**Dividends per share**	Dividends $	Dividends per share
First Preferred Shares				
Series 30	**10**	**0.7641**	10	0.7688
Series 32	**9**	**0.7313**	9	0.7313
Series 34	**17**	**1.0500**	17	1.0500
Series 36	**16**	**1.0125**	16	1.0125
Series 38	**13**	**0.8344**	13	0.8344
Series 40	**11**	**0.8625**	8	0.6435
Series 42	**11**	**0.9281**	–	–
	87		73	
Common shares	**664**	**1.9800**	620	1.8200
	751		693	

(unaudited) (millions of Canadian dollars)

Note 14 – Share Capital (cont.)

Common Shares Held in Escrow

As part of the acquisition of Wellington West Holdings Inc. in 2011, the Bank had issued common shares held in escrow. In December 2016, 799,563 of these shares were released to shareholders, and 108,341 shares were cancelled, mainly upon the settlement of certain indemnifications guaranteed by those shares. During the nine months ended July 31, 2019, 870 of these shares were released to shareholders and 1,517 shares were cancelled (during the year ended October 31, 2018, 3,778 of these shares were released and 1,206 shares were cancelled). As at July 31, 2019, the number of common shares held in escrow was 21,510 (23,897 as at October 31, 2018). The Bank expects that the remaining shares in escrow will be settled by the end of calendar year 2019.

Note 15 – Capital Disclosure

The Bank and all other major Canadian banks must maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5%, and a Total capital ratio of at least 11.5%. All of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks (D-SIBs). The banks also have to meet the revised capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. In addition, during the year ended October 31, 2018, OSFI introduced a domestic stability buffer that must be maintained by the D-SIBs. The buffer level varies between 0% and 2.5% of risk-weighted assets and stood at 1.75% as at July 31, 2019. OSFI has also been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

During the quarter and nine-month period ended July 31, 2019, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III

	As at July 31, 2019	As at October 31, 2018
Capital		
CET1	9,475	8,608
Tier 1	12,280	11,410
Total	13,193	12,352
Risk-weighted assets		
CET1 capital	80,984	73,654
Tier 1 capital	80,984	73,670
Total capital	80,984	73,685
Total exposure	303,961	284,337
Capital ratios		
CET1	11.7 %	11.7 %
Tier 1	15.2 %	15.5 %
Total	16.3 %	16.8 %
Leverage ratio	4.0 %	4.0 %

(unaudited) (millions of Canadian dollars)

Note 16 – Share-Based Payments

Stock Option Plan

During the quarters ended July 31, 2019 and 2018, the Bank did not award any stock options. During the nine months ended July 31, 2019, the Bank awarded 2,116,892 stock options (1,836,348 stock options during the nine months ended July 31, 2018) with an average fair value of $6.14 per option ($7.42 in 2018).

As at July 31, 2019, there were 13,107,629 stock options outstanding (13,064,746 stock options as at October 31, 2018).

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

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

During the quarter ended July 31, 2019, a $3 million compensation expense was recorded for this plan ($3 million for the quarter ended July 31, 2018). During the nine-month period ended July 31, 2019, a $9 million compensation expense was recorded for this plan ($9 million for the nine-month period ended July 31, 2018).

Note 17 – 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 tables.

Cost for Pension Plans and Other Post-Employment Benefit Plans

				Quarter ended July 31
	Pension plans		Other post-employment benefit plans	
	2019	2018	**2019**	2018
Current service cost	**24**	28	**1**	2
Interest expense (income), net	**–**	1	**2**	1
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**25**	30	**3**	3
Remeasurements[1]				
Actuarial (gains) losses on defined benefit obligation	**231**	(98)	**7**	(4)
Return on plan assets[2]	**(125)**	(89)		
Remeasurements recognized in *Other comprehensive income*	**106**	(187)	**7**	(4)
	131	(157)	**10**	(1)

				Nine months ended July 31
	Pension plans		Other post-employment benefit plans	
	2019	2018	**2019**	2018
Current service cost	**70**	85	**3**	4
Interest expense (income), net	**1**	3	**5**	5
Administrative expenses	**3**	3		
Expense recognized in *Net income*	**74**	91	**8**	9
Remeasurements[1]				
Actuarial (gains) losses on defined benefit obligation	**666**	(164)	**24**	(7)
Return on plan assets[2]	**(524)**	(65)		
Remeasurements recognized in *Other comprehensive income*	**142**	(229)	**24**	(7)
	216	(138)	**32**	2

(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 18 – Income Taxes

In June 2019, the Bank was reassessed by the Canada Revenue Agency (CRA) for additional income tax and interest of approximately $150 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2014.

In prior fiscal years, the Bank was reassessed for additional income tax and interest of approximately $220 million (including provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2013 and 2012 taxation years.

The transactions to which the above-mentioned reassessments relate are similar to those prospectively addressed by income tax legislation enacted as a result of the 2015 Canadian federal budget.

The CRA may issue reassessments to the Bank for taxation years subsequent to 2014 in regard to activities similar to those that were the subject of the reassessments described above. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements as at July 31, 2019.

Note 19 – Earnings Per Share

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

	Quarter ended July 31		Nine months ended July 31	
	2019	2018	**2019**	2018
Basic earnings per share				
Net income attributable to the Bank's shareholders	**591**	546	**1,666**	1,595
Dividends on preferred shares	**29**	25	**87**	73
Net income attributable to common shareholders	**562**	521	**1,579**	1,522
Weighted average basic number of common shares outstanding *(thousands)*	**334,843**	339,160	**335,344**	340,000
Basic earnings per share *(dollars)*	**1.68**	1.54	**4.71**	4.48
Diluted earnings per share				
Net income attributable to common shareholders	**562**	521	**1,579**	1,522
Weighted average basic number of common shares outstanding *(thousands)*	**334,843**	339,160	**335,344**	340,000
Adjustment to average number of common shares *(thousands)*				
Stock options(1)	**2,925**	4,120	**2,778**	4,135
Weighted average diluted number of common shares outstanding *(thousands)*	**337,768**	343,280	**338,122**	344,135
Diluted earnings per share *(dollars)*	**1.66**	1.52	**4.67**	4.42

(1) For the quarter ended July 31, 2019, the calculation of diluted earnings per share excluded an average number of 1,766,024 options outstanding with a weighted average exercise price of $64.14 (1,820,594 options outstanding with a weighted average exercise price of $64.14 for the quarter ended July 31, 2018), as the exercise price of these options was greater than the average price of the Bank's common shares. For the nine months ended July 31, 2019, the calculation of diluted earnings per share excluded an average number of 1,783,167 options outstanding with a weighted average exercise price of $64.14 (1,561,977 options outstanding with a weighted average exercise price of $64.14 for the nine months ended July 31, 2018).

Note 20 – Contingent Liabilities

Litigation

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

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

Watson

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

Defrance

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

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

Note 21 – Segment Disclosures

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

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

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

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

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

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

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

(unaudited) (millions of Canadian dollars)

Quarter ended July 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net interest income[2]	**604**	581	**115**	114	**83**	93	**159**	140	**(106)**	(91)	**855**	837
Non-interest income[2][3]	**287**	269	**322**	311	**358**	323	**15**	6	**111**	46	**1,093**	955
Total revenues	**891**	850	**437**	425	**441**	416	**174**	146	**5**	(45)	**1,948**	1,792
Non-interest expenses[4]	**456**	448	**267**	262	**183**	171	**69**	64	**179**	66	**1,154**	1,011
Contribution	**435**	402	**170**	163	**258**	245	**105**	82	**(174)**	(111)	**794**	781
Provisions for credit losses	**57**	61	**–**	–	**10**	2	**19**	12	**–**	1	**86**	76
Income before income taxes (recovery)	**378**	341	**170**	163	**248**	243	**86**	70	**(174)**	(112)	**708**	705
Income taxes (recovery)[2]	**101**	91	**44**	43	**66**	65	**17**	16	**(128)**	(79)	**100**	136
Net income	**277**	250	**126**	120	**182**	178	**69**	54	**(46)**	(33)	**608**	569
Non-controlling interests	**–**	–	**–**	–	**–**	–	**11**	10	**6**	13	**17**	23
Net income attributable to the Bank's shareholders	**277**	250	**126**	120	**182**	178	**58**	44	**(52)**	(46)	**591**	546
Average assets	**113,132**	107,539	**6,146**	6,187	**116,601**	99,067	**10,972**	9,233	**41,477**	43,566	**288,328**	265,592

Nine months ended July 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net interest income[5]	**1,770**	1,688	**355**	331	**345**	338	**476**	437	**(286)**	(238)	**2,660**	2,556
Non-interest income[3][5]	**806**	772	**942**	931	**910**	969	**47**	44	**152**	80	**2,857**	2,796
Total revenues	**2,576**	2,460	**1,297**	1,262	**1,255**	1,307	**523**	481	**(134)**	(158)	**5,517**	5,352
Non-interest expenses[4]	**1,366**	1,336	**798**	791	**537**	523	**211**	186	**294**	191	**3,206**	3,027
Contribution	**1,210**	1,124	**499**	471	**718**	784	**312**	295	**(428)**	(349)	**2,311**	2,325
Provisions for credit losses	**178**	176	**–**	1	**20**	4	**60**	72	**–**	1	**258**	254
Income before income taxes (recovery)	**1,032**	948	**499**	470	**698**	780	**252**	223	**(428)**	(350)	**2,053**	2,071
Income taxes (recovery)[5]	**275**	253	**130**	124	**186**	208	**51**	56	**(307)**	(236)	**335**	405
Net income	**757**	695	**369**	346	**512**	572	**201**	167	**(121)**	(114)	**1,718**	1,666
Non-controlling interests	**–**	–	**–**	–	**–**	–	**33**	30	**19**	41	**52**	71
Net income attributable to the Bank's shareholders	**757**	695	**369**	346	**512**	572	**168**	137	**(140)**	(155)	**1,666**	1,595
Average assets	**112,064**	105,970	**6,265**	6,104	**110,218**	101,644	**10,674**	9,037	**44,426**	42,536	**283,647**	265,291

(1) For the quarter and nine-month period ended July 31, 2018, certain amounts have been reclassified, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.

(2) The *Net interest income, Non-interest income* and *Income taxes (recovery)* items of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $58 million ($35 million in 2018), *Non-interest income* was grossed up by $36 million ($27 million in 2018), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments has been reversed under the *Other* heading.

(3) For the *Other* heading of segment results, the *Non-interest income* item includes a $79 million gain on disposal of Fiera Capital Corporation shares, a $50 million gain on disposal of premises and equipment, and a $33 million loss resulting from the fair value measurement of an economic interest.

(4) For the *Other* heading of segment results, the *Non-interest expenses* item includes $57 million in impairment losses on premises and equipment and on intangible assets, $45 million in onerous contract provisions, and $10 million in severance pay.

(5) For the nine-month period ended July 31, 2019, *Net interest income* was grossed up by $138 million ($109 million in 2018), *Non-interest income* was grossed up by $99 million ($76 million in 2018), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments has been reversed under the *Other* heading.

Note 22 – Disposal

On May 9, 2019, through one of its subsidiaries, the Bank disposed of 10,680,000 Class A subordinate voting shares of Fiera Capital Corporation (Fiera Capital) at a per-share price of $12.00 for gross proceeds of $128 million. Before the transaction, the Bank's investment in Fiera Capital stood at 18% and was accounted for using the equity method. After the transaction, the Bank's ownership percentage stands at 7%. A gain on disposal of Fiera Capital shares of $79 million, including a gain on remeasurement at fair value of the retained interest of $31 million has been recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income for the quarter ended July 31, 2019 and reported in the *Other* heading of segment results. After the transaction, the Bank designated the 7% retained interest as a financial asset measured at fair value through other comprehensive income.

Information For Shareholders and Investors

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

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

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

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

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

Disclosure of Third Quarter 2019 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, August 28, 2019 at 1:00 p.m. EDT.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 4562088#.
- A recording of the conference call can be heard until September 25, 2019 by dialing 1-800-408-3053 or 905-694-9451. The access code is 9430421#.

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