NATIONAL BANK

Press Release
Fourth Quarter
2019

National Bank reports its 2019 annual and fourth quarter results and raises its quarterly dividend by 4% to 71 cents per share

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the fourth quarter of fiscal 2019 and on the audited annual consolidated financial statements for the year ended October 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, December 4, 2019 – For the fourth quarter of 2019, National Bank is reporting net income of $604 million, a 7% increase from $566 million in the fourth quarter of 2018. Fourth-quarter diluted earnings per share stood at $1.67, up 10% from $1.52 in the same quarter of 2018. These increases were driven by net income growth across all the business segments.

For fiscal 2019, the Bank's net income totalled $2,322 million, up $90 million or 4% from $2,232 million in fiscal 2018. Its diluted earnings per share for fiscal 2019 stood at $6.34 versus $5.94 in 2018, a 7% 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. The Bank's 2019 net income excluding specified items totalled $2,328 million, up 4% from $2,232 million in 2018. The specified items are described on page 3.

"Fiscal 2019 was another strong year for National Bank. We achieved solid business growth and record profitability. Our credit quality is excellent, our capital ratios are strong, and disciplined cost management remains a priority throughout the organization," said Louis Vachon, President and Chief Executive Officer of National Bank of Canada. "The outlook in Quebec remains favourable and we continue to take advantage of Canada's broader economic soundness. In the current environment, we are comfortable with our positioning and we remain vigilant in balancing our objectives of sustainable growth with prudent risk management. Our overall objective is to position the Bank to perform well through the cycle," added Mr. Vachon.

Highlights

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2019	2018	% Change	**2019**	2018	% Change
Net income	**604**	566	7	**2,322**	2,232	4
Diluted earnings per share *(dollars)*	**$ 1.67**	$ 1.52	10	**$ 6.34**	$ 5.94	7
Return on common shareholders' equity	**18.2 %**	17.8 %		**18.0 %**	18.4 %	
Dividend payout ratio	**42 %**	41 %		**42 %**	41 %	
Excluding specified items[1]						
Net income excluding specified items	**612**	566	8	**2,328**	2,232	4
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.69**	$ 1.52	11	**$ 6.36**	$ 5.94	7
Return on common shareholders' equity excluding specified items	**18.4 %**	17.8 %		**18.0 %**	18.4 %	
Dividend payout ratio excluding specified items	**42 %**	41 %		**42 %**	41 %	

	As at October 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 2 and 3 for additional information on non-GAAP financial measures.

Financial Reporting Method

As stated in Note 1 to its audited annual consolidated financial statements for the year ended October 31, 2019 (the consolidated financial statements), 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 1 to the 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, 2019.

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 the year ended October 31, 2018 reflect this change.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2019	2018	% Change	2019	2018	% Change
Net income excluding specified items[1]						
Personal and Commercial	270	257	5	1,027	952	8
Wealth Management	130	118	10	499	464	8
Financial Markets	205	192	7	717	764	(6)
U.S. Specialty Finance and International	78	55	42	279	222	26
Other	(71)	(56)		(194)	(170)	
Net income excluding specified items	612	566	8	2,328	2,232	4
Gain on disposal of Fiera Capital shares[2]	–	–		68	–	
Gain on disposal of premises and equipment[3]	–	–		43	–	
Remeasurement at fair value of an investment[4]	–	–		(27)	–	
Impairment losses on premises and equipment and on intangible assets[5]	–	–		(42)	–	
Provisions for onerous contracts[6]	–	–		(33)	–	
Charge related to Maple[7]	(8)	–		(8)	–	
Severance pay[8]	–	–		(7)	–	
Net income	604	566	7	2,322	2,232	4
Diluted earnings per share excluding specified items	$ 1.69	$ 1.52	11	$ 6.36	$ 5.94	7
Gain on disposal of Fiera Capital shares[2]	–	–		0.20	–	
Gain on disposal of premises and equipment[3]	–	–		0.12	–	
Remeasurement at fair value of an investment[4]	–	–		(0.08)	–	
Impairment losses on premises and equipment and on intangible assets[5]	–	–		(0.12)	–	
Provisions for onerous contracts[6]	–	–		(0.10)	–	
Charge related to Maple[7]	(0.02)	–		(0.02)	–	
Severance pay[8]	–	–		(0.02)	–	
Diluted earnings per share	$ 1.67	$ 1.52	10	$ 6.34	$ 5.94	7
Return on common shareholders' equity						
Including specified items	18.2 %	17.8 %		18.0 %	18.4 %	
Excluding specified items	18.4 %	17.8 %		18.0 %	18.4 %	

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

(5) During the year ended October 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 year ended October 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 October 31, 2019, the Bank recorded a charge of $11 million ($8 million net of income taxes) related to Maple Financial Group Inc. (Maple) in the *Other* heading of segment results following the event of November 19, 2019, as described in the section entitled "Event After the Consolidated Balance Sheet Date" on page 12.

(8) For the year ended October 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 October 31			Year ended October 31		
	2019	2018	% Change	**2019**	2018	% Change
Operating results						
Total revenues	**1,915**	1,814	6	**7,432**	7,166	4
Net income	**604**	566	7	**2,322**	2,232	4
Net income attributable to the Bank's shareholders	**590**	550	7	**2,256**	2,145	5
Return on common shareholders' equity	**18.2 %**	17.8 %		**18.0 %**	18.4 %	
Earnings per share						
Basic	**$ 1.68**	$ 1.53	10	**$ 6.39**	$ 6.01	6
Diluted	**1.67**	1.52	10	**6.34**	5.94	7
Operating results on a taxable equivalent basis and excluding specified items[1]						
Total revenues on a taxable equivalent basis and excluding specified items	**2,008**	1,874	7	**7,666**	7,411	3
Net income excluding specified items	**612**	566	8	**2,328**	2,232	4
Return on common shareholders' equity excluding specified items	**18.4 %**	17.8 %		**18.0 %**	18.4 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	**54.0 %**	55.3 %		**54.5 %**	54.8 %	
Earnings per share excluding specified items[1]						
Basic	**$ 1.70**	$ 1.53	11	**$ 6.40**	$ 6.01	6
Diluted	**1.69**	1.52	11	**6.36**	5.94	7
Common share information						
Dividends declared	**$ 0.68**	$ 0.62		**$ 2.66**	$ 2.44	
Book value	**36.89**	34.40		**36.89**	34.40	
Share price						
High	**68.02**	65.63		**68.02**	65.63	
Low	**60.38**	58.93		**54.97**	58.69	
Close	**68.02**	59.76		**68.02**	59.76	
Number of common shares *(thousands)*	**334,172**	335,071		**334,172**	335,071	
Market capitalization	**22,730**	20,024		**22,730**	20,024	

(millions of Canadian dollars)	**As at October 31, 2019**	As at October 31, 2018	% Change
Balance sheet and off-balance-sheet			
Total assets	**281,458**	262,471	7
Loans and acceptances, net of allowances	**153,251**	146,082	5
Deposits	**189,566**	170,830	11
Equity attributable to common shareholders	**12,328**	11,526	7
Assets under administration and under management	**565,396**	485,080	17
Regulatory ratios under Basel III			
Capital ratios			
Common Equity Tier 1 (CET1)	**11.7 %**	11.7 %	
Tier 1	**15.0 %**	15.5 %	
Total	**16.1 %**	16.8 %	
Leverage ratio	**4.0 %**	4.0 %	
Liquidity coverage ratio (LCR)	**146 %**	147 %	
Other information			
Number of employees – Worldwide	**25,487**	23,450	9
Number of branches in Canada	**422**	428	(1)
Number of banking machines in Canada	**939**	937	–

(1) See the Financial Reporting Method section on pages 2 and 3 for additional information on non-GAAP financial measures.

Financial Analysis

This press release should be read in conjunction with the *2019 Annual Report* (which includes the audited annual consolidated financial statements and MD&A) available on the Bank's website at nbc.ca. 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.

Consolidated Results

Total Revenues

For the fourth quarter of 2019, the Bank's total revenues amounted to $1,915 million, up $101 million or 6% from the same quarter of 2018. The Personal and Commercial segment's total revenues were up 3% owing to growth in loan and deposit volumes. The Wealth Management segment's total revenues were up 4% owing to growth in mutual fund revenues and trust service revenues. The Financial Markets segment's revenues were up 14% owing to growth in the Global Markets revenue category, which more than offset a decline in corporate and investment banking revenues. Furthermore, the USSF&I segment's total revenues grew 22%, essentially due to revenue growth at the ABA Bank subsidiary. Total revenues on a taxable equivalent basis and excluding specified items amounted to $2,008 million in the fourth quarter of 2019, up 7% from $1,874 million in the fourth quarter of 2018.

For the year ended October 31, 2019, total revenues amounted to $7,432 million, up $266 million or 4% from $7,166 million in fiscal 2018. The fiscal 2019 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 the Personal and Commercial segment, total revenues were up 4%, mainly due to growth in loan and deposit volumes as well as to higher card revenues and higher insurance revenues. The increase in total revenues was also driven by higher net interest income in the Wealth Management segment arising from growth in loan and deposit volumes as well as from increases in mutual fund revenues and in trust service revenues. Conversely, revenues from securities brokerage commissions were down given a decrease in transaction volume during the year ended October 31, 2019. In the Financial Markets segment, total revenues were up $7 million year over year despite a slowdown in financial markets activity during the first six months of 2019. Lastly, in the USSF&I segment, total revenues grew 12% owing to expansion in ABA Bank's banking network, whereas revenues from the Credigy subsidiary were down year over year as a result of changes in the loan portfolio mix. Total revenues on a taxable equivalent basis and excluding specified items amounted to $7,666 million for the year ended October 31, 2019, up 3% from $7,411 million in fiscal 2018.

Non-Interest Expenses

For the fourth quarter of 2019, non-interest expenses stood at $1,095 million, a 6% year-over-year increase resulting mainly from higher compensation and employee benefits (in particular variable compensation associated with revenue growth as well as compensation related to the expansion of ABA Bank's banking network). Other factors contributing to the increase in non-interest expenses were higher professional fees and occupancy expense. The other expenses for fourth quarter 2019 include an $11 million charge related to Maple. Non-interest expenses excluding specified items stood at $1,084 million for the quarter ended October 31, 2019, up 5% from $1,036 million in the fourth quarter of 2018.

For the year ended October 31, 2019, non-interest expenses stood at $4,301 million, up 6% year over year. The fiscal 2019 non-interest expenses include $57 million in impairment losses on premises and equipment and on intangible assets, $45 million in provisions for onerous contracts, an $11 million charge related to Maple, and $10 million in severance pay. Other factors contributing to the increase in non-interest expenses were higher compensation and employee benefits, higher occupancy expenses arising mainly from the expansion of ABA Bank's banking network, and higher technology investment expenses incurred as part of the Bank's transformation plan and for business development. Furthermore, other expenses were also up mainly due to expenses related to the activities of the Financial Markets segment and to the charge related to Maple. Non-interest expenses excluding specified items stood at $4,178 million for the year ended October 31, 2019, up 3% from $4,063 million in fiscal 2018.

Provisions for Credit Losses

For the fourth quarter of 2019, the Bank recorded $89 million in provisions for credit losses compared to $73 million in the fourth quarter of 2018. This increase was due to higher credit loss provisions on personal loans, on credit card receivables, and on loans in the Financial Markets segment. These higher provisions were partly offset by lower credit loss provisions on USSF&I segment loans, essentially attributable to the ABA Bank subsidiary.

For the year ended October 31, 2019, the Bank recorded $347 million in provisions for credit losses, $20 million more than in fiscal 2018. This increase came essentially from higher credit loss provisions on credit card receivables and on loans in the Financial Markets segment, partly offset by lower credit loss provisions on USSF&I segment loans, 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 October 31, 2019, gross impaired loans excluding POCI loans stood at $684 million compared to $630 million as at October 31, 2018. Net impaired loans excluding POCI loans stood at $450 million as at October 31, 2019 compared to $404 million as at October 31, 2018, a $46 million increase related to net impaired loans in the Commercial Banking loan portfolio and the Financial Markets segment. Gross POCI loans stood at $1,166 million as at October 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 fourth quarter of 2019, income taxes stood at $127 million compared to $139 million in the same quarter of 2018. The fourth-quarter effective income tax rate was 17% versus 20% in the same quarter of 2018. This change in effective tax rate is explained mainly by an increase in income from lower tax rate jurisdictions and by a year-over-year increase in tax-exempt dividend income.

For the year ended October 31, 2019, the effective income tax rate stood at 17% compared to 20% in fiscal 2018. This change in effective income tax rate was due to the same reasons as those provided for the quarter as well as to a realization of capital gains taxed at a lower rate.

Results by Segment

The Bank carries out its activities in four business segments: Personal and Commercial, Wealth Management, Financial Markets, and U.S. Specialty Finance and International. For presentation purposes, other operating activities, certain non-recurring items and Treasury activities are grouped in the *Other* heading. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy.

Personal and Commercial

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2019	2018[1]	% Change	**2019**	2018[1]	% Change
Operating results						
Net interest income	**613**	588	4	**2,383**	2,276	5
Non-interest income	**263**	261	1	**1,069**	1,033	3
Total revenues	**876**	849	3	**3,452**	3,309	4
Non-interest expenses	**450**	446	1	**1,816**	1,782	2
Contribution	**426**	403	6	**1,636**	1,527	7
Provisions for credit losses	**59**	52	13	**237**	228	4
Income before income taxes	**367**	351	5	**1,399**	1,299	8
Income taxes	**97**	94	3	**372**	347	7
Net income	**270**	257	5	**1,027**	952	8
Net interest margin[2]	**2.23 %**	2.25 %		**2.23 %**	2.24 %	
Average interest-bearing assets	**109,179**	103,769	5	**106,995**	101,446	5
Average assets	**114,975**	109,490	5	**112,798**	106,857	6
Average loans and acceptances	**114,481**	109,116	5	**112,290**	106,513	5
Net impaired loans[3]	**409**	386	6	**409**	386	6
Net impaired loans[3] as a % of average loans and acceptances	**0.4 %**	0.4 %		**0.4 %**	0.4 %	
Average deposits	**64,488**	61,068	6	**62,487**	58,383	7
Efficiency ratio	**51.4 %**	52.5 %		**52.6 %**	53.9 %	

(1) For the quarter and year ended October 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 $270 million in the fourth quarter of 2019, up 5% from $257 million in the fourth quarter of 2018. The segment's total revenues increased by $27 million or 3%, mainly because of growth in net interest income, which rose $25 million in the fourth quarter of 2019. The net interest income growth was driven by higher personal and commercial loan and deposit volumes but was tempered by a narrowing of the net interest margin, which was 2.23% in the fourth quarter of 2019 versus 2.25% in the fourth quarter of 2018, a decrease arising mainly from deposit margins.

Personal Banking's fourth-quarter total revenues rose $15 million year over year, as net interest income was up owing to growth in loan and deposit volumes. As for Commercial Banking's fourth-quarter total revenues, they rose $12 million, as net interest income was up owing to growth in loan and deposit volumes during the fourth quarter of 2019. These increases were tempered by a decrease in revenues generated by derivative financial instruments and bankers' acceptances.

For the fourth quarter of 2019, the segment's non-interest expenses posted a $4 million or 1% year-over-year increase, a slight increase due to disciplined cost management. At 51.4%, the efficiency ratio for the fourth quarter of 2019 improved by 1.1 percentage points when compared to the same quarter last year. The segment's provisions for credit losses stood at $59 million, a $7 million year-over-year increase that was mainly due to higher provisions on credit card receivables and on non-impaired Personal Banking loans.

For the year ended October 31, 2019, the Personal and Commercial segment's net income totalled $1,027 million, up 8% from $952 million in fiscal 2018. The segment's fiscal 2019 revenues were also up, rising 4% year over year. Growth in Personal Banking's total revenues came from higher loan and deposit volumes, tempered by a narrowing of loan margins, as well as from higher card revenues and from an increase in insurance revenues to reflect revisions to actuarial reserves. Growth in Commercial Banking's total revenues was driven by higher loan and deposit volumes as well as by increases in revenues from bankers' acceptances, and from derivative financial instruments. For the year ended October 31, 2019, the segment's non-interest expenses rose $34 million or 2% year over year. This increase was mainly attributable to higher operations support charges, to the amortization expense related to the segment's activities as well as to higher compensation and employee benefits. The segment's fiscal 2019 contribution increased $109 million or 7%. At 52.6% for the year ended October 31, 2019, the efficiency ratio improved by 1.3 percentage points versus fiscal 2018. The fiscal 2019 provisions for credit losses were up $9 million compared to the same period in 2018, mainly due to higher credit loss provisions on credit card receivables.

Wealth Management

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

	Quarter ended October 31			Year ended October 31		
	2019	2018(2)	% Change	**2019**	2018(2)	% Change
Operating results						
Net interest income on a taxable equivalent basis	**115**	115	–	**470**	446	5
Fee-based revenues	**262**	247	6	**1,013**	983	3
Transaction-based and other revenues	**69**	65	6	**260**	260	–
Total revenues on a taxable equivalent basis	**446**	427	4	**1,743**	1,689	3
Non-interest expenses	**269**	267	1	**1,067**	1,058	1
Contribution on a taxable equivalent basis	**177**	160	11	**676**	631	7
Provisions for credit losses	**–**	–		**–**	1	
Income before income taxes on a taxable equivalent basis	**177**	160	11	**676**	630	7
Income taxes on a taxable equivalent basis	**47**	42	12	**177**	166	7
Net income	**130**	118	10	**499**	464	8
Average assets	**6,082**	6,356	(4)	**6,219**	6,167	1
Average loans and acceptances	**4,824**	4,926	(2)	**4,855**	4,720	3
Net impaired loans(3)	**3**	3	–	**3**	3	–
Average deposits	**31,759**	31,833	–	**32,321**	31,261	3
Assets under administration and under management	**565,396**	485,080	17	**565,396**	485,080	17
Efficiency ratio on a taxable equivalent basis(1)	**60.3 %**	62.5 %		**61.2 %**	62.6 %	

(1) See the Financial Reporting Method section on pages 2 and 3 for additional information on non-GAAP financial measures.
(2) For the quarter and year ended October 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.
(3) 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 $130 million in the fourth quarter of 2019, a 10% increase from $118 million in the same quarter of 2018. The segment's fourth-quarter total revenues on a taxable equivalent basis amounted to $446 million, up $19 million or 4% from $427 million in the fourth quarter of 2018. This increase was mainly driven by higher fee-based revenues, which rose 6% owing to growth in assets under administration and under management due to net inflows into various solutions and to stronger year-over-year stock market performance during the fourth quarter of 2019. Transaction-based and other revenues rose $4 million as a result of higher insurance commission revenues. As for the segment's net interest income on a taxable equivalent basis, it remained stable compared to the fourth quarter of 2018, as growth in loan and deposit volumes was offset by lower deposit margins.

For the fourth quarter of 2019, non-interest expenses stood at $269 million, a 1% year-over-year increase attributable mainly to the higher variable compensation associated with the revenue growth within the segment. The fourth-quarter efficiency ratio on a taxable equivalent basis was 60.3%, improving 2.2 percentage points from fourth quarter 2018. The segment's provisions for credit losses were nil in the fourth quarters of both 2019 and 2018.

For the year ended October 31, 2019, the Wealth Management segment's net income totalled $499 million, up 8% from $464 million in fiscal 2018. The segment's fiscal 2019 total revenues on a taxable equivalent basis amounted to $1,743 million, up 3% from $1,689 million in fiscal 2018. Its fiscal 2019 net interest income on a taxable equivalent basis was up 5% owing to growth in loan and deposit volumes. An increase in fee-based revenues was driven by growth in assets under administration and under management due to net inflows into various solutions and to stronger stock market performance in fiscal 2019. As for transaction-based and other revenues, they remained stable at $260 million for fiscal years 2019 and 2018. The fiscal 2019 non-interest expenses stood at $1,067 million compared to $1,058 million in fiscal 2018, for an increase resulting from higher compensation and employee benefits and from higher operations support charges related to the segment's initiatives. At 61.2%, the efficiency ratio on a taxable equivalent basis for the year ended October 31, 2019 improved from 62.6% in fiscal 2018.

Assets under administration and under management increased by $80.3 billion or 17% from a year ago, due to net inflows into various solutions and to strong stock market performance in fiscal 2019.

Financial Markets

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2019	2018[2]	% Change	2019	2018[2]	% Change
Operating results						
Global markets						
Equities	198	141	40	624	576	8
Fixed-income	79	65	22	289	267	8
Commodities and foreign exchange	24	29	(17)	126	130	(3)
	301	235	28	1,039	973	7
Corporate and investment banking	196	202	(3)	719	750	(4)
Gains on investments and other	(2)	(1)		(8)	20	
Total revenues on a taxable equivalent basis	495	436	14	1,750	1,743	–
Non-interest expenses	206	174	18	743	697	7
Contribution on a taxable equivalent basis	289	262	10	1,007	1,046	(4)
Provisions for credit losses	10	–		30	4	
Income before income taxes on a taxable equivalent basis	279	262	6	977	1,042	(6)
Income taxes on a taxable equivalent basis	74	70	6	260	278	(6)
Net income	205	192	7	717	764	(6)
Average assets	119,244	97,976	22	112,493	100,721	12
Average loans and acceptances	16,950	16,005	6	16,575	15,116	10
Net impaired loans[3]	23	–		23	–	
Average deposits	35,311	25,234	40	30,311	23,510	29
Efficiency ratio on a taxable equivalent basis[1]	41.6 %	39.9 %		42.5 %	40.0 %	

(1) See the Financial Reporting Method section on pages 2 and 3 for additional information on non-GAAP financial measures.
(2) For the quarter and year ended October 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 $205 million in the fourth quarter of 2019 compared to $192 million in the fourth quarter of 2018, and total revenues on a taxable equivalent basis amounted to $495 million, rising 14% from $436 million in the fourth quarter of 2018. Fourth-quarter Global Markets revenues grew 28% year over year, as revenues from equity securities and from fixed-income securities were up 40% and 22%, respectively, whereas revenues from commodities and foreign exchange activities were down 17%. Fourth-quarter revenues from corporate and investment banking services were down 3% compared to the fourth quarter of 2018 as higher revenues from banking services and capital markets activity was offset by a decrease in merger and acquisition activity.

For the fourth quarter of 2019, the segment's non-interest expenses stood at $206 million, an 18% year-over-year increase attributable essentially to higher variable compensation arising from revenue growth in the fourth quarter of 2019 as well as to the segment's higher technology investment and business development expenses. At 41.6%, the efficiency ratio on a taxable equivalent basis compares to 39.9% in the fourth quarter of 2018. The segment's fourth-quarter provisions for credit losses stood at $10 million, whereas no provisions were recorded in the same quarter of 2018, for an increase that comes from both provisions on impaired loans and non-impaired loans.

For the year ended October 31, 2019, the segment's net income totalled $717 million, down 6% from fiscal 2018. Its fiscal 2019 total revenues on a taxable equivalent basis amounted to $1,750 million compared to $1,743 million in fiscal 2018. Revenues from the Global Markets category posted year-over-year growth of 7%, with revenues from equity securities and from fixed-income securities each rising 8%, tempered by a 3% decrease in revenues from commodities and foreign exchange activities. As for the fiscal 2019 revenues from corporate and investment banking services, they were down 4% year over year given a slowdown in capital markets activity as well as to a decrease in merger and acquisition activities in fiscal 2019. Lastly, higher gains on investments and other revenues had been recorded during the year ended October 31, 2018.

For the year ended October 31, 2019, the segment's non-interest expenses rose $46 million or 7% year over year, as there were increases in compensation and employee benefits, in expenses related to technological investments and business development, and in operations support charges. The segment's fiscal 2019 efficiency ratio on a taxable equivalent basis was 42.5% compared to 40.0% in fiscal 2018. It recorded $30 million in provisions for credit losses for the year ended October 31, 2019 compared to $4 million in fiscal 2018, for an increase that relates mainly to credit loss provisions on impaired loans.

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

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2019	2018	% Change	**2019**	2018	% Change
Total revenues						
Credigy	**95**	100	(5)	**402**	446	(10)
ABA Bank	**90**	57	58	**303**	192	58
International	**7**	1		**10**	1	
	192	158	22	**715**	639	12
Non-interest expenses						
Credigy	**38**	38	–	**152**	156	(3)
ABA Bank	**36**	27	33	**131**	93	41
International	**–**	–		**2**	2	
	74	65	14	**285**	251	14
Contribution	**118**	93	27	**430**	388	11
Provisions for credit losses						
Credigy	**18**	18	–	**68**	81	(16)
ABA Bank	**2**	4	(50)	**12**	13	(8)
	20	22	(9)	**80**	94	(15)
Income before income taxes	**98**	71	38	**350**	294	19
Income taxes	**20**	16	25	**71**	72	(1)
Net income	**78**	55	42	**279**	222	26
Non-controlling interests	**7**	8	(13)	**40**	38	5
Net income attributable to the Bank's shareholders	**71**	47	51	**239**	184	30
Average assets	**11,909**	9,957	20	**10,985**	9,270	19
Average loans and receivables	**9,333**	8,218	14	**8,907**	7,853	13
Net impaired loans – Stage 3[(1)]	**15**	15	–	**15**	15	–
Purchased or originated credit-impaired (POCI) loans	**1,166**	1,576	(26)	**1,166**	1,576	(26)
Average deposits	**4,227**	2,289	85	**3,474**	1,907	82
Efficiency ratio	**38.5 %**	41.1 %		**39.9 %**	39.3 %	

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

In the USSF&I segment, net income totalled $78 million in the fourth quarter of 2019, up 42% from $55 million in the same quarter of 2018. The segment's fourth-quarter total revenues amounted to $192 million compared to $158 million in the fourth quarter of 2018. A 58% year-over-year increase in revenues at the ABA Bank subsidiary, driven by sustained growth in loan and deposit volumes, was tempered by lower year-over-year revenues at the Credigy subsidiary as a result of changes in the loan portfolio mix.

For the fourth quarter of 2019, the segment's non-interest expenses stood at $74 million, a $9 million year-over-year increase attributable mainly to ABA Bank's growing banking network. The segment recorded $20 million in provisions for credit losses in the fourth quarter of 2019 compared to $22 million in the same quarter of 2018, a decrease stemming from the credit loss provisions recorded by the ABA Bank subsidiary.

For the year ended October 31, 2019, the USSF&I segment's net income totalled $279 million, up 26% from $222 million in fiscal 2018. The segment's fiscal 2019 total revenues amounted to $715 million compared to $639 million in fiscal 2018, a 12% increase due mainly to a $111 million or 58% year-over-year increase in the revenues from the ABA Bank subsidiary, partly offset by a $44 million or 10% decrease in Credigy's revenues.

The segment's fiscal 2019 non-interest expenses stood at $285 million, a $34 million year-over-year increase attributable to ABA Bank's growing banking network. As for the non-interest expenses of the Credigy subsidiary, they were down slightly. For the year ended October 31, 2019, the segment recorded $80 million in provisions for credit losses, $14 million less than in fiscal 2018. This decrease 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 remained relatively stable at $12 million.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31		Year ended October 31	
	2019	2018[2]	**2019**	2018[2]
Operating results				
Net interest income on a taxable equivalent basis	**(44)**	(60)	**(192)**	(189)
Non-interest income on a taxable equivalent basis	**43**	64	**294**	220
Total revenues on a taxable equivalent basis	**(1)**	4	**102**	31
Non-interest expenses	**96**	84	**390**	275
Contribution on a taxable equivalent basis	**(97)**	(80)	**(288)**	(244)
Provisions for credit losses	**–**	(1)	**–**	–
Income before income taxes on a taxable equivalent basis	**(97)**	(79)	**(288)**	(244)
Income taxes (recovery) on a taxable equivalent basis	**(18)**	(23)	**(88)**	(74)
Net loss	**(79)**	(56)	**(200)**	(170)
Non-controlling interests	**7**	8	**26**	49
Net loss attributable to the Bank's shareholders	**(86)**	(64)	**(226)**	(219)
Specified items after income taxes[1]	**8**	–	**6**	–
Net loss excluding specified items[1]	**(71)**	(56)	**(194)**	(170)
Average assets	**41,416**	44,086	**43,667**	42,925

(1) See the Financial Reporting Method section on pages 2 and 3 for additional information on non-GAAP financial measures.
(2) For the quarter and year ended October 31, 2018, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of $79 million in the fourth quarter of 2019 compared to a net loss of $56 million in the fourth quarter of 2018. This change in net loss came mainly from an increase in non-interest expenses, in particular a charge related to Maple, and from a higher tax rate related to the non-recoverable portion of foreign tax credits. Net loss excluding specified items stood at $71 million for the quarter ended October 31, 2019 compared to a $56 million net loss in the fourth quarter of 2018.

For the year ended October 31, 2019, net loss stood at $200 million compared to a net loss of $170 million in fiscal 2018. This change in net loss was partly due to a lower contribution from treasury activities during fiscal 2019 arising in part from the impact of market volatility on the Bank's asset/liability management portfolio during the first quarter of 2019. The specified items recorded for fiscal 2019 had a $6 million unfavourable impact on the net income recorded in the *Other* heading of segment results. Net loss excluding specified items stood at $194 million for the year ended October 31, 2019 compared to a $170 million net loss in fiscal 2018.

Total revenues on a taxable equivalent basis were up, mainly due to the specified items recorded for fiscal 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 fiscal 2019 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, an $11 million charge related to Maple, and $10 million in severance pay.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at October 31, 2019	As at October 31, 2018	% Change
Assets			
Cash and deposits with financial institutions	13,698	12,756	7
Securities	82,226	69,783	18
Securities purchased under reverse repurchase agreements and securities borrowed	17,723	18,159	(2)
Loans and acceptances, net of allowances	153,251	146,082	5
Other	14,560	15,691	(7)
	281,458	262,471	7
Liabilities and equity			
Deposits	189,566	170,830	11
Other	75,983	76,539	(1)
Subordinated debt	773	747	3
Equity attributable to the Bank's shareholders	14,778	13,976	6
Non-controlling interests	358	379	(6)
	281,458	262,471	7

Assets

As at October 31, 2019, the Bank had total assets of $281.5 billion, a 7% or $19.0 billion increase from $262.5 billion as at October 31, 2018. Cash and deposits with financial institutions, totalling $13.7 billion as at October 31, 2019, increased $0.9 billion or 7% since October 31, 2018, mainly due to ABA Bank's deposits with financial institutions. Securities rose $12.4 billion since October 31, 2018, partly due to a $6.0 billion or 11% increase in securities at fair value through profit or loss, attributable to a $13.5 billion increase in equity securities and to a $1.3 billion increase in securities issued or guaranteed by U.S. Treasury, other U.S. agencies and other foreign governments. These increases were tempered by a $4.2 billion decrease in securities issued or guaranteed by the Canadian government and a $3.9 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 $6.4 billion, essentially due to a $2.1 billion increase in securities issued or guaranteed by the Canadian government, to a $3.5 billion increase in securities issued or guaranteed by U.S. Treasury, other U.S. agencies, and other foreign governments, and to a $0.8 billion increase in other debt securities. Securities purchased under reverse repurchase agreements and securities borrowed decreased by $0.5 billion, mainly related to the activities of the Financial Markets segment.

Totalling $153.3 billion as at October 31, 2019, loans and acceptances, net of allowances, rose $7.2 billion or 5% since October 31, 2018. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at October 31, 2019	As at October 31, 2018
Loans and acceptances		
Residential mortgage and home equity lines of credit	80,214	75,773
Personal	13,901	15,235
Credit card	2,322	2,325
Business and government	57,492	53,407
	153,929	146,740
Allowances for credit losses	(678)	(658)
	153,251	146,082

When compared to October 31, 2018, residential mortgages (including home equity lines of credit) were up $4.4 billion or 6% due to sustained demand for mortgage credit and business growth at the ABA Bank subsidiary; personal loans were down $1.3 billion, partly due to changes in the composition of Credigy's loan portfolio; and credit card receivables remained stable. Loans and acceptances to business and government rose $4.1 billion or 8%, mainly due to growth in Commercial Banking and Credigy subsidiary activities.

Liabilities

As at October 31, 2019, the Bank had total liabilities of $266.3 billion compared to $248.1 billion as at October 31, 2018.

The Bank's total deposit liability stood at $189.6 billion as at October 31, 2019 compared to $170.8 billion as at October 31, 2018, an $18.8 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 October 31, 2019	As at October 31, 2018
Balance sheet		
Deposits	**60,065**	55,688
Off-balance-sheet		
Brokerage	**135,768**	123,458
Mutual funds	**36,819**	31,874
Other	**319**	440
	172,906	155,772
Total personal savings	**232,971**	211,460

As at October 31, 2019, personal deposits stood at $60.1 billion, rising $4.4 billion since October 31, 2018, 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 October 31, 2019, total personal savings amounted to $233.0 billion, up from $211.5 billion as at October 31, 2018. Overall, off-balance-sheet personal savings stood at $172.9 billion as at October 31, 2019, rising $17.1 billion or 11% from a year ago given net inflows in brokerage operations and stronger stock market performance.

Business and government deposits grew $15.0 billion since October 31, 2018, reaching $125.3 billion as at October 31, 2019. This increase came from business growth at Commercial Banking, treasury funding activity, including $3.5 billion in deposits subject to bank recapitalization (bail-in) conversion regulations, corporate financing activities, and issuances of structured notes. Other liabilities stood at $76.0 billion, declining 1% since October 31, 2018, essentially due to a $5.0 billion decrease in obligations related to securities sold short, partly offset by a $1.9 billion increase in obligations related to securities sold under repurchase agreements and securities loaned, a $0.9 billion increase in derivative financial instruments, and a $1.2 billion increase in liabilities related to transferred receivables.

Equity

As at October 31, 2019, equity attributable to the Bank's shareholders was $14.8 billion, up $0.8 billion since October 31, 2018. This increase came 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.

Acquisition

On September 27, 2019, the Bank acquired the entire remaining non-controlling interest in the Cambodian subsidiary Advanced Bank of Asia Limited (ABA Bank) for $84 million. Following this transaction, ABA Bank became a wholly owned subsidiary of the Bank.

Event After the Consolidated Balance Sheet Date

On November 19, 2019, the Bank paid 7.7 million euros to the German tax authorities in relation to the Maple case. This payment was made upon a final tax claim of the tax authorities against the insolvency administrator that was approved by the Maple GmbH creditor assembly. As at October 31, 2019, a provision of $11 million was recorded to reflect this adjusting event after the Consolidated Balance Sheet date. For additional information, refer to the Contingent Liabilities section on page 13.

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 above-mentioned reassessments. 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 October 31, 2019.

Contingent Liabilities

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

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

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

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

The Bank has been in contact with the German prosecutors, who have confirmed that, in their view based upon the evidence they have considered since the occurrence of the insolvency, the Bank was not involved in any respect with the alleged tax fraud undertaken by Maple GmbH nor was it negligent in failing to identify that alleged fraud. Further to discussions between the Bank and the German prosecutors concerning the amounts deemed attributable to the alleged tax fraud, the Bank paid 7.7 million euros to the German tax authorities on November 19, 2019.

The Bank has been engaging in discussions with the bankruptcy and insolvency administrators of relevant Maple entities regarding potential claims they may assert against Maple's former shareholders in relation to the insolvency of Maple and its subsidiaries. The Bank does not see a legal basis for any such liability but is nevertheless continuing discussions at this time. If any payments are required, they are not expected to be material to the Bank's financial position.

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 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 the Bank and several other Canadian financial institutions. The originating application was served to the Bank on April 23, 2019. The class action was initiated 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 operation for a particular period, it would not have a material adverse impact on the Bank's consolidated financial position.

Capital Management

Regulatory Capital Ratios

As at October 31, 2019, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.7%, 15.0% and 16.1%, 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 *Standardized Approach for measuring Counterparty Credit Risk* (SA-CCR) rules for measuring counterparty credit risk, growth in risk-weighted assets, the common share repurchases during the year ended October 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 growth in risk-weighted assets. As at October 31, 2019, the leverage ratio was 4.0%, stable compared to October 31, 2018. The growth in Tier 1 capital was offset by growth in total leverage exposure.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	**As at October 31, 2019**	As at October 31, 2018
Capital		
CET1	**9,692**	8,608
Tier 1	**12,492**	11,410
Total	**13,366**	12,352
Risk-weighted assets		
CET1 capital	**83,039**	73,654
Tier 1 capital	**83,039**	73,670
Total capital	**83,039**	73,685
Total exposure	**308,902**	284,337
Capital ratios		
CET1	**11.7 %**	11.7 %
Tier 1	**15.0 %**	15.5 %
Total	**16.1 %**	16.8 %
Leverage ratio	**4.0 %**	4.0 %

Dividends

On December 3, 2019, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 71 cents per common share, up 3 cents or 4%, payable on February 1, 2020 to shareholders of record on December 30, 2019.

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at October 31, 2019	As at October 31,2018
Assets		
Cash and deposits with financial institutions	13,698	12,756
Securities		
At fair value through profit or loss	61,823	55,817
At fair value through other comprehensive income	10,648	5,668
At amortized cost	9,755	8,298
	82,226	69,783
Securities purchased under reverse repurchase agreements and securities borrowed	17,723	18,159
Loans		
Residential mortgage	57,171	53,651
Personal	36,944	37,357
Credit card	2,322	2,325
Business and government	50,599	46,606
	147,036	139,939
Customers' liability under acceptances	6,893	6,801
Allowances for credit losses	(678)	(658)
	153,251	146,082
Other		
Derivative financial instruments	8,129	8,608
Investments in associates and joint ventures	385	645
Premises and equipment	490	601
Goodwill	1,412	1,412
Intangible assets	1,406	1,314
Other assets	2,738	3,111
	14,560	15,691
	281,458	262,471
Liabilities and equity		
Deposits	189,566	170,830
Other		
Acceptances	6,893	6,801
Obligations related to securities sold short	12,849	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	21,900	19,998
Derivative financial instruments	6,852	6,036
Liabilities related to transferred receivables	21,312	20,100
Other liabilities	6,177	5,824
	75,983	76,539
Subordinated debt	773	747
Equity		
Equity attributable to the Bank's shareholders		
Preferred shares	2,450	2,450
Common shares	2,949	2,822
Contributed surplus	51	57
Retained earnings	9,312	8,472
Accumulated other comprehensive income	16	175
	14,778	13,976
Non-controlling interests	358	379
	15,136	14,355
	281,458	262,471

Consolidated Statements of Income

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2019	2018	**2019**	2018
Interest income				
Loans	**1,673**	1,506	**6,468**	5,632
Securities at fair value through profit or loss	**265**	186	**1,086**	771
Securities at fair value through other comprehensive income	**67**	44	**195**	152
Securities at amortized cost	**55**	50	**210**	174
Deposits with financial institutions	**36**	55	**215**	206
	2,096	1,841	**8,174**	6,935
Interest expense				
Deposits	**911**	748	**3,468**	2,562
Liabilities related to transferred receivables	**117**	110	**444**	414
Subordinated debt	**7**	6	**25**	18
Other	**125**	151	**641**	559
	1,160	1,015	**4,578**	3,553
Net interest income(1)	**936**	826	**3,596**	3,382
Non-interest income				
Underwriting and advisory fees	**96**	104	**314**	388
Securities brokerage commissions	**45**	48	**178**	195
Mutual fund revenues	**116**	110	**449**	438
Trust service revenues	**158**	150	**609**	587
Credit fees	**109**	104	**417**	403
Card revenues	**41**	39	**175**	159
Deposit and payment service charges	**71**	73	**271**	280
Trading revenues (losses)	**245**	248	**829**	840
Gains (losses) on non-trading securities, net	**5**	9	**77**	77
Insurance revenues, net	**28**	29	**136**	121
Foreign exchange revenues, other than trading	**23**	23	**96**	95
Share in the net income of associates and joint ventures	**11**	9	**34**	28
Other	**31**	42	**251**	173
	979	988	**3,836**	3,784
Total revenues	**1,915**	1,814	**7,432**	7,166
Provisions for credit losses	**89**	73	**347**	327
	1,826	1,741	**7,085**	6,839
Non-interest expenses				
Compensation and employee benefits	**661**	616	**2,532**	2,466
Occupancy	**66**	60	**298**	236
Technology	**158**	157	**704**	620
Communications	**16**	15	**62**	63
Professional fees	**70**	65	**249**	244
Other	**124**	123	**456**	434
	1,095	1,036	**4,301**	4,063
Income before income taxes	**731**	705	**2,784**	2,776
Income taxes	**127**	139	**462**	544
Net income	**604**	566	**2,322**	2,232
Net income attributable to				
Preferred shareholders	**29**	32	**116**	105
Common shareholders	**561**	518	**2,140**	2,040
Bank shareholders	**590**	550	**2,256**	2,145
Non-controlling interests	**14**	16	**66**	87
	604	566	**2,322**	2,232
Earnings per share *(dollars)*				
Basic	**1.68**	1.53	**6.39**	6.01
Diluted	**1.67**	1.52	**6.34**	5.94
Dividends per common share *(dollars)*	**0.68**	0.62	**2.66**	2.44

(1) *Net interest income* includes dividend income. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2019	2018	**2019**	2018
Net income	**604**	566	**2,322**	2,232
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	**(10)**	21	**(9)**	41
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**6**	–	**(2)**	–
Impact of hedging net foreign currency translation gains (losses)	**2**	(7)	**4**	(13)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**(6)**	–	**–**	–
	(8)	14	**(7)**	28
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	**11**	(9)	**54**	(11)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(8)**	4	**(53)**	(5)
	3	(5)	**1**	(16)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(33)**	27	**(137)**	51
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(5)**	(14)	**(20)**	(46)
	(38)	13	**(157)**	5
Share in the other comprehensive income of associates and joint ventures	**(1)**	(5)	**3**	1
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(13)**	(70)	**(135)**	103
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(7)**	(3)	**(21)**	(2)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**13**	6	**5**	21
	(7)	(67)	**(151)**	122
Total other comprehensive income, net of income taxes	**(51)**	(50)	**(311)**	140
Comprehensive income	**553**	516	**2,011**	2,372
Comprehensive income attributable to				
Bank shareholders	**540**	499	**1,946**	2,284
Non-controlling interests	**13**	17	**65**	88
	553	516	**2,011**	2,372

Income Taxes – Other Comprehensive Income

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

	Quarter ended October 31		Year ended October 31	
	2019	2018	**2019**	2018
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**2**	1	**3**	1
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**(1)**	–
Impact of hedging net foreign currency translation gains (losses)	**1**	(1)	**2**	–
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**2**	–
	3	–	**6**	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	**3**	(4)	**19**	(4)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(3)**	2	**(19)**	(1)
	–	(2)	**–**	(5)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(13)**	10	**(50)**	19
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(1)**	(5)	**(7)**	(17)
	(14)	5	**(57)**	2
Share in the other comprehensive income of associates and joint ventures	**(1)**	(1)	**–**	–
Remeasurements of pension plans and other post-employment benefit plans	**(4)**	(26)	**(48)**	37
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(3)**	(2)	**(6)**	(1)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**5**	2	**2**	7
	(14)	(24)	**(103)**	41

Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars)

	Year ended October 31	
	2019	2018
Preferred shares at beginning	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	2,822	2,768
Issuances of common shares pursuant to the Stock Option Plan	122	128
Repurchases of common shares for cancellation	(40)	(64)
Impact of shares purchased or sold for trading	45	(10)
Common shares at end	2,949	2,822
Contributed surplus at beginning	57	58
Stock option expense	11	12
Stock options exercised	(15)	(15)
Other	(2)	2
Contributed surplus at end	51	57
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	2,256	2,145
Dividends on preferred shares	(116)	(105)
Dividends on common shares	(892)	(829)
Premium paid on common shares repurchased for cancellation	(241)	(403)
Share issuance expenses, net of income taxes	–	(12)
Remeasurements of pension plans and other post-employment benefit plans	(135)	103
Net gains (losses) on equity securities designated at fair value through other comprehensive income	(21)	(2)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	5	21
Impact of a financial liability resulting from put options written to non-controlling interests	(12)	–
Other	–	(13)
Retained earnings at end	9,312	8,472
Accumulated other comprehensive income at beginning	175	168
Impact of adopting IFRS 9 on November 1, 2017		(10)
Net foreign currency translation adjustments	(6)	27
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	1	(16)
Net change in gains (losses) on cash flow hedges	(157)	5
Share in the other comprehensive income of associates and joint ventures	3	1
Accumulated other comprehensive income at end	16	175
Equity attributable to the Bank's shareholders	14,778	13,976
Non-controlling interests at beginning	379	808
Impact of adopting IFRS 9 on November 1, 2017		(16)
Purchase of the non-controlling interest of the Advanced Bank of Asia Limited subsidiary	(30)	–
Redemption of trust units issued by NBC Asset Trust	–	(400)
Net income attributable to non-controlling interests	66	87
Other comprehensive income attributable to non-controlling interests	(1)	1
Distributions to non-controlling interests	(56)	(101)
Non-controlling interests at end	358	379
Equity	15,136	14,355

Accumulated Other Comprehensive Income

	As at October 31, 2019	As at October 31, 2018
Accumulated other comprehensive income		
Net foreign currency translation adjustments	8	14
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	14	13
Net gains (losses) on instruments designated as cash flow hedges	(6)	151
Share in the other comprehensive income of associates and joint ventures	–	(3)
	16	175

Segment Disclosures

(unaudited) (millions of Canadian dollars)

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

Results by Business Segment

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
Quarter ended October 31[1]	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income[2]	613	588	115	115	129	71	180	147	(101)	(95)	936	826
Non-interest income[2]	263	261	331	312	366	365	12	11	7	39	979	988
Total revenues	876	849	446	427	495	436	192	158	(94)	(56)	1,915	1,814
Non-interest expenses[3]	450	446	269	267	206	174	74	65	96	84	1,095	1,036
Contribution	426	403	177	160	289	262	118	93	(190)	(140)	820	778
Provisions for credit losses	59	52	–	–	10	–	20	22	–	(1)	89	73
Income before income taxes (recovery)	367	351	177	160	279	262	98	71	(190)	(139)	731	705
Income taxes (recovery)[2]	97	94	47	42	74	70	20	16	(111)	(83)	127	139
Net income	270	257	130	118	205	192	78	55	(79)	(56)	604	566
Non-controlling interests	–	–	–	–	–	–	7	8	7	8	14	16
Net income attributable to the Bank's shareholders	270	257	130	118	205	192	71	47	(86)	(64)	590	550
Average assets	114,975	109,490	6,082	6,356	119,244	97,976	11,909	9,957	41,416	44,086	293,626	267,865

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
Year ended October 31[1]	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income[4]	2,383	2,276	470	446	474	409	656	584	(387)	(333)	3,596	3,382
Non-interest income[4][5]	1,069	1,033	1,273	1,243	1,276	1,334	59	55	159	119	3,836	3,784
Total revenues	3,452	3,309	1,743	1,689	1,750	1,743	715	639	(228)	(214)	7,432	7,166
Non-interest expenses[6]	1,816	1,782	1,067	1,058	743	697	285	251	390	275	4,301	4,063
Contribution	1,636	1,527	676	631	1,007	1,046	430	388	(618)	(489)	3,131	3,103
Provisions for credit losses	237	228	–	1	30	4	80	94	–	–	347	327
Income before income taxes (recovery)	1,399	1,299	676	630	977	1,042	350	294	(618)	(489)	2,784	2,776
Income taxes (recovery)[4]	372	347	177	166	260	278	71	72	(418)	(319)	462	544
Net income	1,027	952	499	464	717	764	279	222	(200)	(170)	2,322	2,232
Non-controlling interests	–	–	–	–	–	–	40	38	26	49	66	87
Net income attributable to the Bank's shareholders	1,027	952	499	464	717	764	239	184	(226)	(219)	2,256	2,145
Average assets	112,798	106,857	6,219	6,167	112,493	100,721	10,985	9,270	43,667	42,925	286,162	265,940

(1) For the quarter and year ended October 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 $57 million ($35 million in 2018), *Non-interest income* was grossed up by $36 million ($25 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 quarter ended October 31, 2019, in the *Other* heading of segment results, the *Non-interest expenses* item includes an $11 million charge related to Maple.

(4) For the year ended October 31, 2019, *Net interest income* was grossed up by $195 million ($144 million in 2018), *Non-interest income* was grossed up by $135 million ($101 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.

(5) For the year ended October 31, 2019, in 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 investment.

(6) For the year ended October 31, 2019, in 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 provisions for onerous contracts, an $11 million charge related to Maple, and $10 million in severance pay.

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 the *2019 Annual Report*, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2020 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2020 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk; all of which are described in more detail in the Risk Management section beginning on page 58 of the *2019 Annual Report*, and more specifically, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. *Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank's information technology systems, including evolving cyberattack 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 *2019 Annual Report*. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

Information for Shareholders and Investors

Disclosure of Fourth Quarter 2019 Results

Conference Call

- A conference call for analysts and institutional investors will be held on Wednesday, December 4, 2019 at 1:00 p.m. EST.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 7294581#.
- A recording of the conference call can be heard until January 1, 2020 by dialing 1-800-408-3053 or 905-694-9451. The access code is 9842774#.

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 *Press Release* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Press Release*, 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.
- The *2019 Annual Report* (which includes the audited annual consolidated financial statements and management's discussion and analysis) will also be available on National Bank's website.
- The *Report to Shareholders* for the first quarter ended January 31, 2020 will be available on February 27, 2020 (subject to approval by the Bank's Board of Directors).

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