Press Release
Fourth Quarter
2018

National Bank reports its 2018 annual and fourth quarter results and raises its quarterly dividend by 5% to 65 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 2018 and on the audited annual consolidated financial statements for the year ended October 31, 2018 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 5, 2018 – For the fourth quarter of 2018, National Bank is reporting net income of $566 million, an 8% increase from $525 million in the fourth quarter of 2017. Diluted earnings per share stood at $1.52 for the fourth quarter of 2018 compared to $1.39 in the same quarter of fiscal 2017. Diluted earnings per share excluding specified items (described on page 2) stood at $1.53 for the quarter ended October 31, 2018 compared to $1.40 in the same quarter of 2017, a 9% increase owing to net income growth in the main business segments.

For fiscal 2018, the Bank's net income totalled $2,232 million, a 10% increase from $2,024 million in fiscal 2017. Diluted earnings per share stood at $5.94 for the year ended October 31, 2018 compared to $5.38 in fiscal 2017. These increases were driven by net income growth across all the business segments. Diluted earnings per share excluding specified items stood at $5.99 for the year ended October 31, 2018, a 10% increase from $5.45 in fiscal 2017.

"Fiscal 2018 ended with record net income of over $2.2 billion driven by strong performance across all business lines and an improved efficiency ratio," said Louis Vachon, President and Chief Executive Officer of National Bank. "The Bank also reported a CET1 capital ratio of 11.7%, the highest in our history, providing us with flexibility to invest in our business and return capital to shareholders. The Bank repurchased 7.5 million common shares under its normal course issuer bid and twice raised its common share dividend, a 7% increase for 2018."

Highlights

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2018	2017	% Change	**2018**	2017	% Change
Net income	**566**	525	8	**2,232**	2,024	10
Diluted earnings per share *(dollars)*	**$ 1.52**	$ 1.39	9	**$ 5.94**	$ 5.38	10
Return on common shareholders' equity	**17.8 %**	17.8 %		**18.4 %**	18.1 %	
Dividend payout ratio	**41 %**	42 %		**41 %**	42 %	
Excluding specified items(1)						
Net income excluding specified items	**569**	531	7	**2,249**	2,049	10
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.53**	$ 1.40	9	**$ 5.99**	$ 5.45	10
Return on common shareholders' equity excluding specified items	**17.9 %**	18.0 %		**18.5 %**	18.3 %	
Dividend payout ratio excluding specified items	**40 %**	41 %		**40 %**	41 %	

	As at October 31, 2018	As at October 31, 2017
CET1 capital ratio under Basel III	**11.7 %**	11.2 %
Leverage ratio under Basel III	**4.0 %**	4.0 %

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

Financial Reporting Method

As stated in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018, the Bank early adopted IFRS 9 on November 1, 2017. As permitted by IFRS 9, the Bank did not restate comparative consolidated financial statements. Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2018 presents the impacts of IFRS 9 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2017. 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.

Non-GAAP Financial Measures

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

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2018	2017	% Change	**2018**	2017	% Change
Net income excluding specified items[1]						
Personal and Commercial	**257**	234	10	**948**	903	5
Wealth Management	**127**	115	10	**506**	431	17
Financial Markets	**192**	183	5	**764**	698	9
U.S. Specialty Finance and International	**55**	55	–	**222**	184	21
Other	**(62)**	(56)		**(191)**	(167)	
Net income excluding specified items	**569**	531	7	**2,249**	2,049	10
Acquisition-related items[2]	**(3)**	(6)		**(17)**	(25)	
Net income	**566**	525	8	**2,232**	2,024	10
Diluted earnings per share excluding specified items	**$ 1.53**	$ 1.40	9	**$ 5.99**	$ 5.45	10
Acquisition-related items[2]	**(0.01)**	(0.01)		**(0.05)**	(0.07)	
Diluted earnings per share	**$ 1.52**	$ 1.39	9	**$ 5.94**	$ 5.38	10
Return on common shareholders' equity						
Including specified items	**17.8 %**	17.8 %		**18.4 %**	18.1 %	
Excluding specified items	**17.9 %**	18.0 %		**18.5 %**	18.3 %	

(1) For the quarter and year ended October 31, 2017, certain amounts have been reclassified.
(2) During the quarter ended October 31, 2018, the Bank recorded $4 million ($3 million net of income taxes) in charges related to the acquisitions (2017: $7 million, $6 million net of income taxes). For the year ended October 31, 2018, these charges were $20 million ($17 million net of income taxes) compared to $30 million ($25 million net of income taxes) in fiscal 2017.

Highlights

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2018	2017	% Change	2018	2017	% Change
Operating results						
Total revenues	**1,814**	1,704	6	**7,166**	6,609	8
Net income	**566**	525	8	**2,232**	2,024	10
Net income attributable to the Bank's shareholders	**550**	506	9	**2,145**	1,940	11
Return on common shareholders' equity	**17.8 %**	17.8 %		**18.4 %**	18.1 %	
Earnings per share						
Basic	**$ 1.53**	$ 1.40	9	**$ 6.01**	$ 5.44	10
Diluted	**1.52**	1.39	9	**5.94**	5.38	10
Operating results on a taxable equivalent basis[1] and excluding specified items[2]						
Total revenues on a taxable equivalent basis and excluding specified items	**1,876**	1,760	7	**7,420**	6,864	8
Net income excluding specified items	**569**	531	7	**2,249**	2,049	10
Return on common shareholders' equity excluding specified items	**17.9 %**	18.0 %		**18.5 %**	18.3 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	**55.1 %**	55.2 %		**54.6 %**	55.9 %	
Earnings per share excluding specified items[2]						
Basic	**$ 1.54**	$ 1.42	8	**$ 6.06**	$ 5.52	10
Diluted	**1.53**	1.40	9	**5.99**	5.45	10
Common share information						
Dividends declared	**$ 0.62**	$ 0.58		**$ 2.44**	$ 2.28	
Book value				**34.40**	31.51	
Share price						
High	**65.63**	62.74		**65.63**	62.74	
Low	**58.93**	55.29		**58.69**	46.83	
Close	**59.76**	62.61		**59.76**	62.61	
Number of common shares *(thousands)*	**335,071**	339,592		**335,071**	339,592	
Market capitalization	**20,024**	21,262		**20,024**	21,262	

(millions of Canadian dollars)	As at October 31, 2018	As at October 31, 2017	% Change
Balance sheet and off-balance-sheet			
Total assets	**262,471**	245,827	7
Loans and acceptances, net of allowances[3]	**146,082**	136,457	7
Net impaired loans[4] as a % of loans and acceptances	**0.3 %**	0.2 %	
Deposits	**170,830**	156,671	9
Equity attributable to common shareholders	**11,526**	10,700	8
Assets under administration and under management	**485,080**	477,358	2
Regulatory ratios under Basel III			
Capital ratios[5]			
Common Equity Tier 1 (CET1)	**11.7 %**	11.2 %	
Tier 1[6]	**15.5 %**	14.9 %	
Total[6]	**16.8 %**	15.1 %	
Leverage ratio[5]	**4.0 %**	4.0 %	
Liquidity coverage ratio (LCR)	**147 %**	132 %	
Other information			
Number of employees – worldwide	**23,450**	21,635	8
Number of branches in Canada	**428**	429	–
Number of banking machines in Canada	**937**	931	1

(1) For additional information, see the Results by Business Segment section on page 18.
(2) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.
(3) The *Purchased receivables* amount of $2,014 million, which was presented separately on the Consolidated Balance Sheet as at October 31, 2017, is now reported in *Loans and acceptances, net of allowances*.
(4) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and do not include purchased or originated credit-impaired loans.
(5) The ratios are calculated using the "all-in" methodology.
(6) The ratios as at October 31, 2017 included the redemption of the Series 28 preferred shares on November 15, 2017.

Financial Analysis

This press release should be read in conjunction with the *2018 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

On November 1, 2017, the Bank changed the presentation of certain Consolidated Balance Sheet items; in particular, the *Purchased receivables* item is now reported in *Loans*. As a result of this change, for the quarter ended October 31, 2017, a $40 million amount reported in *Non-interest income* was reclassified to *Net interest income* ($204 million for the year ended October 31, 2017). The reclassification had no impact on *Net income*.

Total Revenues

For the fourth quarter of 2018, the Bank's total revenues amounted to $1,814 million, up $110 million or 6% from the same quarter of 2017. This year-over-year increase was driven by growth in the net interest income of the Personal and Commercial segment owing to higher loan and deposit volumes and an improved net interest margin, by growth in the net interest income of the Wealth Management segment owing in part to higher deposit volumes, by growth in commission revenues and corporate banking revenues recorded by the Financial Markets segment, and by growth in the net interest income of ABA Bank. Revenues from trust services and credit fee revenues also posted year-over-year growth. Total revenues on a taxable equivalent basis and excluding specified items amounted to $1,876 million in the fourth quarter of 2018, up 7% from $1,760 million in the fourth quarter of 2017.

For the year ended October 31, 2018, total revenues amounted to $7,166 million compared to $6,609 million in fiscal 2017, an 8% year-over-year increase driven essentially by the same factors as those provided for the quarter, by higher net interest income from Credigy, and by increases in trading revenues, mutual fund revenues, and card revenues. These revenue increases were tempered by lower revenues from securities brokerage commissions and lower gains on securities. For the year ended October 31, 2018, total revenues on a taxable equivalent basis and excluding specified items amounted to $7,420 million, an 8% increase from $6,864 million in fiscal 2017.

Provisions for Credit Losses

For the fourth quarter of 2018, the Bank recorded $73 million in provisions for credit losses compared to $70 million in the same quarter of 2017. The higher provisions stem mainly from higher credit loss provisions recorded for Personal Banking loans and for USSF&I segment loans that were essentially attributable to the ABA Bank subsidiary. This increase was partly offset by lower credit loss provisions recorded for Commercial Banking loans.

For the year ended October 31, 2018, the Bank recorded $327 million in provisions for credit losses, $83 million more than in fiscal 2017. The higher provisions stem mainly from higher credit loss provisions recorded for Personal and Commercial Banking loans and for USSF&I segment loans that were essentially attributable to the Credigy subsidiary. During the year ended October 31, 2017, the provisions for credit losses had included a $40 million reversal of the sectoral provision on non-impaired loans in the oil and gas producer and service company loan portfolio, and a $40 million increase in the collective allowance for credit risk on non-impaired loans had been recorded to reflect growth in the Bank's overall credit portfolio.

As at October 31, 2018, gross impaired loans stood at $630 million compared to $599 million as at November 1, 2017. Also as at October 31, 2018, net impaired loans stood at $404 million compared to $360 million as at November 1, 2017, a $44 million increase arising mainly from commercial loan portfolios. Following IFRS 9 adoption on November 1, 2017, all loans classified in Stage 3 of the expected credit loss model constitute impaired loans and do not include purchased or originated credit-impaired loans.

Non-Interest Expenses

For the fourth quarter of 2018, non-interest expenses stood at $1,036 million, up 6% compared to the fourth quarter of 2017. The increase in non-interest expenses was attributable to higher compensation and employee benefits, higher technology investment expenses made as part of the Bank's transformation plan, and by higher advertising expenses. Non-interest expenses excluding specified items stood at $1,034 million in the fourth quarter of 2018 compared to $971 million in the fourth quarter of 2017.

For the year ended October 31, 2018, non-interest expenses stood at $4,063 million, up 5% year over year. The reasons for this increase are the same as those provided above for the fourth quarter. Furthermore, the expansion of ABA Bank's banking network led to an overall increase in non-interest expenses. The increase was tempered somewhat by lower professional fees related to the servicing fees of Credigy's business activities. Non-interest expenses excluding specified items stood at $4,052 million for the year ended October 31, 2018, up 6% from $3,838 million in fiscal 2017.

Income Taxes

For the fourth quarter of 2018, income taxes stood at $139 million compared to $133 million in the same quarter of 2017. The 2018 fourth-quarter effective income tax rate was 20%, unchanged from the fourth quarter of 2017.

For the year ended October 31, 2018, the effective income tax rate stood at 20% compared to 19% in fiscal 2017.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2018	2017[1]	% Change	**2018**	2017[1]	% Change
Operating results						
Net interest income	**572**	537	7	**2,212**	2,069	7
Non-interest income	**259**	249	4	**1,027**	988	4
Total revenues	**831**	786	6	**3,239**	3,057	6
Non-interest expenses	**431**	417	3	**1,720**	1,672	3
Contribution	**400**	369	8	**1,519**	1,385	10
Provisions for credit losses[2]	**50**	50	–	**226**	153	48
Income before income taxes	**350**	319	10	**1,293**	1,232	5
Income taxes	**93**	85	9	**345**	329	5
Net income	**257**	234	10	**948**	903	5
Net income excluding the impact of the sectoral provision[2]				**948**	874	8
Net interest margin[3]	**2.33 %**	2.30 %		**2.32 %**	2.26 %	
Average interest-bearing assets	**97,276**	92,777	5	**95,344**	91,633	4
Average assets	**103,102**	97,805	5	**100,619**	96,433	4
Average gross loans and acceptances	**102,839**	97,483	5	**100,572**	96,060	5
Net impaired loans[4] under IFRS 9	**372**			**372**		
Net impaired loans under IAS 39		199			199	
Net impaired loans[4] as a % of average loans and acceptances	**0.4 %**	0.2 %		**0.4 %**	0.2 %	
Average deposits	**60,716**	56,606	7	**58,051**	54,302	7
Efficiency ratio	**51.9 %**	53.1 %		**53.1 %**	54.7 %	

(1) For the quarter and year ended October 31, 2017, certain amounts have been reclassified.
(2) Given the adoption of IFRS 9 on November 1, 2017, the Bank accounts for all provisions for credit losses within the business segments. For the quarter and year ended October 31, 2017, only provisions for credit losses on impaired loans had been recognized in the business segments, whereas provisions for credit losses on non-impaired loans had been recognized in the *Other* heading. During the year ended October 31, 2017, the Bank recorded a $40 million reversal ($29 million net of income taxes) to the sectoral provision on non-impaired loans taken for the oil and gas producer and service company loan portfolio. Given the materiality of this sectoral provision, recorded in accordance with GAAP, net income excluding the impact of the sectoral provision has been presented to provide a better assessment of the segment's results.
(3) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.
(4) 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 $257 million in the fourth quarter of 2018, up 10% from $234 million in the fourth quarter of 2017. The segment's fourth-quarter total revenues increased by $45 million year over year owing to growth in net interest income, which rose $35 million, and to a $10 million increase in non-interest income. The increase in net interest income came from higher personal and commercial loan and deposit volumes and a wider net interest margin (2.33% in fourth quarter 2018 versus 2.30% in fourth quarter 2017) driven mainly by deposit margins.

Personal Banking's fourth-quarter total revenues rose $21 million year over year. Its net interest income was up $17 million owing to growth in loan and deposit volumes and to widening deposit margins, and its non-interest income was up $4 million owing mainly to growth in insurance revenues. Commercial Banking's fourth-quarter total revenues rose $24 million year over year, essentially due to higher net interest income that was driven by growth in loan and deposit volumes and by improved deposit margins. Also contributing to Commercial Banking's revenue growth were increases in revenues from credit fees and revenues from bankers' acceptances.

For the fourth quarter of 2018, the segment's non-interest expenses were up $14 million year over year. This increase was mainly due to increases in compensation and employee benefits and operations support charges. At 51.9%, the fourth-quarter efficiency ratio improved by 1.2 percentage points when compared to the fourth quarter of 2017. For the fourth quarter of 2018, the Bank recorded $50 million in provisions for credit losses, unchanged from the fourth quarter of 2017, as higher provisions on personal loans were offset by lower provisions on commercial loans.

For the year ended October 31, 2018, the Personal and Commercial segment's net income totalled $948 million, up from $903 million in fiscal 2017. The fiscal 2018 net income was up 8% when compared to the net income excluding the impact of the $29 million, net of income taxes, sectoral provision recorded for the same period of 2017. The segment's total revenues grew 6% year over year. The growth in Personal Banking's total revenues was due to the same reasons as those provided for the quarter as well as to higher card revenues and internal commission revenues generated by the distribution of Wealth Management products. In addition, in the first quarter of 2017, a gain had been realized following a change to the distribution model for property and casualty insurance. Growth in Commercial Banking's total revenues was driven by higher loan and deposit volumes, improved deposit margins, and increases in revenues from credit fees, bankers' acceptances, and foreign exchange activities. For the year ended October 31, 2018, non-interest expenses were up $48 million year over year. The reasons for this increase were essentially the same as those provided for the quarter as well as higher technology investment expenses. The segment's contribution increased $134 million or 10%. At 53.1% for the year ended October 31, 2018, the efficiency ratio improved by 1.6 percentage points versus fiscal 2017. The segment's fiscal 2018 provisions for credit losses were up $73 million year over year due to higher credit loss provisions on personal loans, commercial loans, and credit card receivables. Also contributing to this increase was the $40 million reversal of the sectoral provision recorded in second quarter 2017.

Wealth Management

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2018	2017[1]	% Change	2018	2017[1]	% Change
Operating results						
Net interest income	131	118	11	510	431	18
Fee-based revenues	248	233	6	987	906	9
Transaction-based and other revenues	66	61	8	262	267	(2)
Total revenues	445	412	8	1,759	1,604	10
Non-interest expenses	276	263	5	1,092	1,046	4
Contribution	169	149	13	667	558	20
Provisions for credit losses[2]	2	1		3	3	–
Income before income taxes	167	148	13	664	555	20
Income taxes	43	39	10	175	147	19
Net income	124	109	14	489	408	20
Specified items after income taxes[3]	3	6		17	23	
Net income excluding specified items[3]	127	115	10	506	431	17
Average assets	13,134	12,115	8	12,551	11,652	8
Average loans and acceptances	11,704	10,353	13	11,104	9,924	12
Net impaired loans[4] under IFRS 9	17			17		
Net impaired loans under IAS 39		4			4	
Average deposits	32,185	30,087	7	31,592	31,192	1
Assets under administration and under management	485,080	477,358	2	485,080	477,358	2
Efficiency ratio excluding specified items[3]	61.3 %	62.3 %		61.1 %	63.7 %	

(1) For the quarter and year ended October 31, 2017, certain amounts have been reclassified.
(2) Given the adoption of IFRS 9 on November 1, 2017, the Bank accounts for all provisions for credit losses within the business segments. For the quarter and year ended October 31, 2017, only provisions for credit losses on impaired loans had been recognized in the business segments, whereas provisions for credit losses on non-impaired loans had been recognized in the *Other* heading.
(3) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.
(4) 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 $124 million in the fourth quarter of 2018, a 14% increase from $109 million in the same quarter of 2017. At $127 million, fourth-quarter net income excluding specified items (with the specified items including the acquisition-related items) rose 10% from $115 million in the same quarter of 2017. The segment's fourth-quarter total revenues amounted to $445 million, up 8% from $412 million in the same quarter of 2017. This increase was driven mainly by growth in net interest income, owing to higher deposit volumes, and by growth in fee-based revenues given net inflows across all solutions. Furthermore, transaction-based and other revenues rose due to a higher number of transactions in the fourth quarter of 2018.

For the fourth quarter of 2018, non-interest expenses stood at $276 million, a 5% year-over-year increase that was mainly due to higher variable compensation, as business volume growth generated higher revenues, and to an increase in operations support charges. The efficiency ratio excluding specified items was 61.3% in the fourth quarter of 2018, an improvement of 1.0 percentage points from the same quarter of 2017. For the fourth quarter of 2018, the Bank recorded $2 million in provisions for credit losses compared to $1 million in the fourth quarter of 2017.

For the year ended October 31, 2018, the Wealth Management segment's net income totalled $489 million, up 20% from $408 million in fiscal 2017. For the year ended October 31, 2018, net income excluding specified items totalled $506 million, up 17% or $75 million from fiscal 2017. The segment's total revenues for the year ended October 31, 2018 were $1,759 million compared to $1,604 million the previous year. This increase was due to higher net interest income owing to improved margins and by growth in fee-based revenues given net inflows across various solutions and sound stock market performance in fiscal 2018. The fiscal 2018 non-interest expenses stood at $1,092 million compared to $1,046 million in fiscal 2017, for an increase resulting from higher variable compensation and external management fees (due to business volume growth that generated higher revenues) and from higher operations support charges related to the segment's initiatives. As for the efficiency ratio, it improved to 61.1% for the year ended October 31, 2018 compared to 63.7% for fiscal 2017. Provisions for credit losses remained stable compared to fiscal 2017.

Assets under administration and under management increased by $7.7 billion or 2% from a year ago, mainly due to net inflows into various solutions, tempered by a drop in stock prices at the end of fiscal 2018.

Financial Markets

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

	Quarter ended October 31			Year ended October 31		
	2018	2017[2]	% Change	**2018**	2017[2]	% Change
Operating results						
Global markets						
Equities	**138**	131	5	**564**	496	14
Fixed-income	**65**	76	(14)	**265**	294	(10)
Commodities and foreign exchange	**28**	20	40	**126**	103	22
	231	227	2	**955**	893	7
Financial market fees	**95**	65	46	**349**	304	15
Corporate banking	**101**	90	12	**377**	327	15
Gains on investment and other	**9**	31	(71)	**62**	94	(34)
Total revenues on a taxable equivalent basis	**436**	413	6	**1,743**	1,618	8
Non-interest expenses	**174**	163	7	**697**	665	5
Contribution on a taxable equivalent basis	**262**	250	5	**1,046**	953	10
Provisions for credit losses[3]	**–**	–		**4**	–	
Income before income taxes on a taxable equivalent basis	**262**	250	5	**1,042**	953	9
Income taxes on a taxable equivalent basis	**70**	67	4	**278**	255	9
Net income	**192**	183	5	**764**	698	9
Average assets	**97,976**	93,030	5	**100,721**	94,991	6
Average loans and acceptances	**16,005**	13,931	15	**15,116**	13,118	15
Net impaired loans[4]	**–**	–		**–**	–	
Average deposits	**25,234**	21,660	17	**23,510**	20,926	12
Efficiency ratio on a taxable equivalent basis[1]	**39.9 %**	39.5 %		**40.0 %**	41.1 %	

(1) For additional information, see the Results by Business Segment section on page 18.
(2) For the quarter and year ended October 31, 2017, certain amounts have been reclassified.
(3) Given the adoption of IFRS 9 on November 1, 2017, the Bank accounts for all provisions for credit losses within the business segments. For the quarter and year ended October 31, 2017, only provisions for credit losses on impaired loans had been recognized in the business segments, whereas provisions for credit losses on non-impaired loans had been recognized in the *Other* heading.
(4) 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 $192 million in the fourth quarter of 2018 compared to $183 million in the fourth quarter of 2017, and fourth-quarter total revenues on a taxable equivalent basis amounted to $436 million compared to $413 million in the fourth quarter of 2017. Revenues from global markets grew 2%. Specifically, while revenues from equity securities and from commodity and foreign exchange activities grew 5% and 40%, respectively, these increases were partly offset by a decrease in fixed-income revenues. Year over year, fourth-quarter financial market fee revenues were up 46%, particularly due to merger and acquisition activities, whereas gains on investments and other revenue decreased. Revenues from corporate banking activities were up 12%, particularly due to growth in lending volume.

The segment's fourth-quarter non-interest expenses were $174 million, up $11 million year over year, mainly due to the higher variable compensation associated with revenue growth as well as to higher operations support charges. The efficiency ratio on a taxable equivalent basis was 39.9% compared to 39.5% in the fourth quarter of 2017. The segment's provisions for credit losses were nil in the fourth quarters of both 2018 and 2017.

For the year ended October 31, 2018, the segment's net income totalled $764 million, up $66 million or 9% from the same period of 2017. The 2018 total revenues on a taxable equivalent basis amounted to $1,743 million, up $125 million from $1,618 million in fiscal 2017. Global market revenues were up 7%, as revenues from equity securities and commodities and foreign exchange revenues rose 14% and 22%, respectively, whereas revenues from fixed-income securities were down 10%. Revenues from financial market fees were up 15%, particularly due to sound performance in merger and acquisition activities. Fiscal 2018 corporate banking revenues were up 15% compared to fiscal 2017. Lastly, higher gains were recorded on investments and other revenues in the year ended October 31, 2017.

For the year ended October 31, 2018, non-interest expenses were up 5% compared to fiscal 2017, due to the same reasons as those provided for the quarter. At 40.0% for the year ended October 31, 2018, the efficiency ratio on a taxable equivalent basis improved by 1.1 percentage points versus fiscal 2017. The segment recorded $4 million in provisions for credit losses on non-impaired loans for the year ended October 31, 2018, whereas no provisions had been recorded in 2017.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2018	2017[(1)]	% Change	2018	2017[(1)]	% Change
Operating results						
Net interest income	**147**	139	6	**584**	466	25
Non-interest income	**11**	15	(27)	**55**	75	(27)
Total revenues	**158**	154	3	**639**	541	18
Credigy	**100**	111	(10)	**446**	409	9
ABA Bank and International	**58**	43	35	**193**	132	46
Non-interest expenses	**65**	56	16	**251**	225	12
Credigy	**38**	38	–	**156**	163	(4)
ABA Bank and International	**27**	18	50	**95**	62	53
Contribution	**93**	98	(5)	**388**	316	23
Provisions for credit losses[(2)]	**22**	19	16	**94**	48	96
Income before income taxes	**71**	79	(10)	**294**	268	10
Income taxes	**16**	24	(33)	**72**	84	(14)
Net income	**55**	55	–	**222**	184	21
Non-controlling interests	**8**	6	33	**38**	29	31
Net income attributable to the Bank's shareholders	**47**	49	(4)	**184**	155	19
Average assets	**9,957**	8,658	15	**9,270**	7,519	23
Average loans and acceptances	**8,218**	7,565	9	**7,853**	6,062	30
Net impaired loans[(3)] under IFRS 9	**15**			**15**		
Net impaired loans under IAS 39		3			3	
Purchased or originated credit-impaired loans	**1,576**	1,990	(21)	**1,576**	1,990	(21)
Average other revenue-bearing assets	**1**	113		**15**	449	
Average deposits	**2,289**	1,418	61	**1,907**	1,265	51
Efficiency ratio	**41.1 %**	36.4 %		**39.3 %**	41.6 %	

(1) For the quarter and year ended October 31, 2017, certain amounts have been reclassified.
(2) Given the adoption of IFRS 9 on November 1, 2017, the Bank accounts for all provisions for credit losses within the business segments. For the quarter and year ended October 31, 2017, only provisions for credit losses on impaired loans had been recognized in the business segments, whereas provisions for credit losses on non-impaired loans had been recognized in the *Other* heading.
(3) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn and do not include purchased or originated credit-impaired loans.

In the U.S. Specialty Finance and International segment, net income totalled $55 million in the fourth quarter of 2018, stable when compared to the same quarter of 2017. The segment's fourth-quarter total revenues amounted to $158 million compared to $154 million in the fourth quarter of 2017. Higher revenues at the ABA Bank subsidiary, driven by loan and deposit growth, were partly offset by lower revenues at the Credigy subsidiary compared to the same quarter of 2017, particularly given the reimbursement of certain assets.

For the fourth quarter of 2018, non-interest expenses stood at $65 million, a $9 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 unchanged. The segment recorded $22 million in provisions for credit losses, $3 million more than in the same quarter of 2017, essentially due to the credit loss provisions recorded by the ABA Bank subsidiary.

The segment's effective income tax rate was down in the fourth quarter of 2018 compared to the same quarter of 2017, as the U.S. tax reform resulted in a lower income tax rate for Credigy.

For the year ended October 31, 2018, the segment generated net income of $222 million compared to $184 million in fiscal 2017. Its annual total revenues amounted to $639 million versus $541 million in fiscal 2017, representing 18% growth that was driven partly by an increase in Credigy's revenues, particularly due to growth in loan volumes, and partly by ABA Bank's revenues, which increased steadily due to growth in loan and deposit volumes.

For the year ended October 31, 2018, non-interest expenses stood at $251 million, a $26 million year-over-year increase attributable to ABA Bank's growing banking network. As for Credigy's non-interest expenses, they were down 4% year over year, notably due to lower servicing fees. For the year ended October 31, 2018, the segment's provisions for credit losses were $94 million and consisted mainly of credit loss provisions recorded for the Credigy subsidiary.

For the year ended October 31, 2018, the effective tax rate was down when compared to fiscal 2017, as the U.S. tax reform resulted in a lower tax rate for the Credigy subsidiary.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31		Year ended October 31	
	2018	2017[2]	2018	2017[2]
Operating results				
Net interest income	(60)	(38)	(189)	(93)
Non-interest income	64	31	220	126
Total revenues on a taxable equivalent basis	4	(7)	31	33
Non-interest expenses	90	77	303	249
Contribution on a taxable equivalent basis	(86)	(84)	(272)	(216)
Provisions for credit losses[3]	(1)	–	–	40
Income before income taxes on a taxable equivalent basis	(85)	(84)	(272)	(256)
Income taxes (recovery) on a taxable equivalent basis	(23)	(28)	(81)	(87)
Net loss	(62)	(56)	(191)	(169)
Non-controlling interests	8	13	49	55
Net loss attributable to the Bank's shareholders	(70)	(69)	(240)	(224)
Specified items after income taxes[4]	–	–	–	2
Net loss excluding specified items[4]	(62)	(56)	(191)	(167)
Average assets	43,513	39,694	42,601	37,756

(1) For additional information, see the Results by Business Segment section on page 18.
(2) For the quarter and year ended October 31, 2017, certain amounts have been reclassified.
(3) Given the adoption of IFRS 9 on November 1, 2017, the Bank accounts for all provisions for credit losses within the business segments. For the quarter and year ended October 31, 2017, only provisions for credit losses on impaired loans had been recognized in the business segments, whereas provisions for credit losses on non-impaired loans had been recognized in the *Other* heading. For the year ended October 31, 2017, the $40 million in provisions for credit losses had consisted of an increase in the collective allowance for credit risk on non-impaired loans.
(4) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.

For the *Other* heading of segment results, there was a net loss of $62 million in the fourth quarter of 2018 compared to a net loss of $56 million in the same quarter of 2017. This change was mainly due to an increase in non-interest expenses, particularly due to technology investments made as part of the Bank's transformation plan and for business development purposes.

For the year ended October 31, 2018, net loss stood at $191 million compared to a net loss of $169 million in fiscal 2017. This change was due to an increase in non-interest expenses, for the same reasons as those provided above for the fourth quarter, and from a higher contribution from Treasury activities during 2017. These items more than offset the impact of the $40 million increase ($29 million net of income taxes) to the collective allowance for credit risk on non-impaired loans recorded in the second quarter of 2017 to reflect growth in the Bank's overall credit portfolio. The net loss excluding specified items was $191 million for the year ended October 31, 2018 compared to a $167 million net loss in fiscal 2017.

Consolidated Balance Sheet

The presentation of the Consolidated Balance Sheet as at October 31, 2018 reflects the adoption of IFRS 9 on November 1, 2017. For additional information on IFRS 9 adoption, refer to Notes 1 and 3 of the Bank's audited annual consolidated financial statements for the year ended October 31, 2018. Comparative information has not been restated.

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at October 31, 2018	As at October 31, 2017[1]	% Change
Assets			
Cash and deposits with financial institutions	12,756	8,802	45
Securities	69,783	65,343	7
Securities purchased under reverse repurchase agreements and securities borrowed	18,159	20,789	(13)
Loans and acceptances (net of allowances)	146,082	136,457	7
Other	15,691	14,436	9
	262,471	245,827	7
Liabilities and equity			
Deposits	170,830	156,671	9
Other	76,539	75,589	1
Subordinated debt	747	9	
Equity attributable to the Bank's shareholders	13,976	12,750	10
Non-controlling interests	379	808	(53)
	262,471	245,827	7

(1) On November 1, 2017, the Bank changed the presentation of certain Consolidated Balance Sheet items, and the figures as at October 31, 2017 were reclassified to reflect those changes.

Assets

As at October 31, 2018, the Bank had total assets of $262.5 billion, a 7% or $16.7 billion increase from $245.8 billion as at October 31, 2017. At $12.8 billion as at October 31, 2018, cash and deposits with financial institutions rose $4.0 billion since the same date last year, mainly due to growth in deposits with the U.S. Federal Reserve. Since October 31, 2017, securities rose $4.5 billion, essentially due to an $8.3 billion or 17% increase in securities at fair value through profit or loss, as securities issued or guaranteed by the Canadian government were up $5.9 billion and securities issued or guaranteed by Canadian provincial and municipal governments were up $2.9 billion. Securities other than those measured at fair value through profit or loss declined $3.8 billion. Securities purchased under reverse repurchase agreements and securities borrowed decreased by $2.6 billion, mainly related to Treasury operations.

At $146.7 billion as at October 31, 2018, loans and acceptances rose $9.6 billion or 7% since October 31, 2017. Residential mortgages (including home equity lines of credit) were up 5% due to sustained demand for mortgage credit and business growth at ABA Bank, and personal loans rose 2%. Loans and acceptances to business and government rose 12% or $5.7 billion since October 31, 2017 due to business growth at Commercial Banking and Financial Markets. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at October 31, 2018	As at October 31, 2017[1]
Loans and acceptances		
Residential mortgage and home equity lines of credit	**75,773**	72,251
Personal	**15,235**	14,973
Credit card	**2,325**	2,247
Business and government	**53,407**	47,681
	146,740	137,152

(1) The *Purchased receivables* amount of $2,014 million, which was presented separately on the Consolidated Balance Sheet as at October 31, 2017, is now reported in *Loans and acceptances.*

Liabilities

As at October 31, 2018, the Bank had total liabilities of $248.1 billion compared to $232.3 billion as at October 31, 2017.

The Bank's total deposit liability stood at $170.8 billion as at October 31, 2018, up $14.1 billion from $156.7 billion as at October 31, 2017. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at October 31, 2018	As at October 31, 2017
Balance sheet		
Deposits[1]	**55,688**	52,175
Off-balance-sheet		
Brokerage	**123,458**	124,212
Mutual funds	**31,874**	32,192
Other	**440**	408
	155,772	156,812
Total personal savings	**211,460**	208,987

(1) The Bank changed the classification of certain amounts reported in the *Deposits* item of the Consolidated Balance Sheet. As at October 31, 2017, a $1,544 million amount from *Deposits – Personal* was reclassified to *Deposits – Business and government*.

As at October 31, 2018, personal deposits stood at $55.7 billion, rising $3.5 billion since October 31, 2017, 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, 2018, total personal savings amounted to $211.5 billion, up from $209.0 billion as at October 31, 2017. Overall, off-balance-sheet personal savings stood at $155.8 billion as at October 31, 2018 compared to $156.8 billion one year earlier, a decrease that was essentially due to a decline in the stock markets at the end of 2018.

Business and government deposits totalled $110.3 billion, rising $11.2 billion since October 31, 2017. This increase came mainly from growth in banking and government business activities and in Treasury funding activities. Other liabilities stood at $76.5 billion, rising 1% since October 31, 2017 due to a $2.4 billion increase in obligations related to securities sold short, partly offset by a $1.8 billion decrease in obligations related to securities sold under repurchase agreements and securities loaned and a $0.6 billion decrease in derivative financial instruments. Since October 31, 2017, subordinated debt increased due to a $750 million issuance of medium-term notes on February 1, 2018.

Equity

As at October 31, 2018, equity attributable to the Bank's shareholders was $14.0 billion, up $1.2 billion since October 31, 2017. This increase came from net income net of dividends, from remeasurements of pension plans and other post-employment benefit plans, and from the issuances of Series 40 and Series 42 preferred shares for $600 million, tempered by a $200 million redemption of Series 28 preferred shares for cancellation. In addition, the issuances of common shares under the stock option plan were more than offset by the repurchases of common shares for cancellation and the impact of shares purchased or sold for trading. As for non-controlling interests, they were down $429 million, essentially due to the $400 million redemption of trust units issued by NBC Asset Trust.

As at November 30, 2018, there were 335,782,996 common shares outstanding and 13,055,458 stock options outstanding. For additional information on share capital, see Note 19 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Income Taxes

In September 2018, the Bank was reassessed by the Canada Revenue Agency (CRA) for additional income tax and interest of approximately $130 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2013.

In May 2017, the Bank had been reassessed for additional income tax and interest of approximately $77 million (including provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2012.

The transactions to which these reassessments relate are similar to those prospectively addressed by the synthetic equity arrangement rules introduced in the 2015 Canadian federal budget.

Also in July 2018, the CRA confirmed in writing that, except for the above-mentioned reassessment for 2012, it would not pursue the proposed reassessment in respect of 2011 and 2012 that had been communicated to the Bank in March 2017.

The CRA may issue reassessments to the Bank for taxation years subsequent to 2013 in regard to activities similar to those that were the subject of the 2013 and 2012 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, 2018.

Capital Management

Regulatory Capital Ratios

As at October 31, 2018, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.7%, 15.5% and 16.8%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.2%, 14.9% and 15.1% as at October 31, 2017. The increase in the CET1 capital ratio stems essentially from net income net of dividends, common share issuances under the Stock Option Plan, and remeasurements of pension plans and other post-employment benefit plans, factors that were tempered by the growth in risk-weighted assets, by the common share repurchases made during the year ended October 31, 2018 and by the impact of IFRS 9 adoption on November 1, 2017. Both the Tier 1 and the Total capital ratios increased, essentially due to the same items. The increase in the Tier 1 capital ratio was also due to the $600 million issuances of Series 40 and 42 preferred shares, partly offset by the $400 million redemption of NBC Asset Trust units, while the $750 million issuance of medium-term notes on February 1, 2018 contributed to the higher Total capital ratio. As at October 31, 2018, the leverage ratio was 4.0%, unchanged from October 31, 2017.

Regulatory Capital and Ratios Under Basel III[1]

(millions of Canadian dollars)	**As at October 31, 2018**	As at October 31, 2017
Capital		
CET1	**8,608**	7,856
Tier 1[2]	**11,410**	10,457
Total[2]	**12,352**	10,661
Risk-weighted assets		
CET1 capital	**73,654**	70,173
Tier 1 capital	**73,670**	70,327
Total capital	**73,685**	70,451
Total exposure	**284,337**	262,539
Capital ratios		
CET1	**11.7 %**	11.2 %
Tier 1[2]	**15.5 %**	14.9 %
Total[2]	**16.8 %**	15.1 %
Leverage ratio	**4.0 %**	4.0 %

(1) Figures are presented on an "all-in" basis.
(2) Figures as at October 31, 2017 included the redemption of the Series 28 preferred shares on November 15, 2017.

Dividends

On December 4, 2018, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 65 cents per common share, up 3 cents or 5%, payable on February 1, 2019 to shareholders of record on December 31, 2018.

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at October 31, 2018[1]	As at November 1, 2017[1]	As at October 31, 2017
Assets			
Cash and deposits with financial institutions	**12,756**	8,801	8,802
Securities			
At fair value through profit or loss	**55,817**	52,228	47,536
Available-for-sale			8,552
At fair value through other comprehensive income	**5,668**	6,424	
Held-to-maturity			9,255
At amortized cost	**8,298**	6,653	
	69,783	65,305	65,343
Securities purchased under reverse repurchase agreements and securities borrowed	**18,159**	20,789	20,789
Loans			
Residential mortgage	**53,651**	51,609	51,634
Personal	**37,357**	35,590	35,590
Credit card	**2,325**	2,247	2,247
Business and government	**46,606**	41,690	41,690
	139,939	131,136	131,161
Customers' liability under acceptances	**6,801**	5,991	5,991
Allowances for credit losses	**(658)**	(673)	(695)
	146,082	136,454	136,457
Other			
Derivative financial instruments	**8,608**	8,423	8,423
Investments in associates and joint ventures	**645**	631	631
Premises and equipment	**601**	558	558
Goodwill	**1,412**	1,409	1,409
Intangible assets	**1,314**	1,239	1,239
Other assets	**3,111**	2,226	2,176
	15,691	14,486	14,436
	262,471	245,835	245,827
Liabilities and equity			
Deposits	**170,830**	156,787	156,671
Other			
Acceptances	**6,801**	5,991	5,991
Obligations related to securities sold short	**17,780**	15,363	15,363
Obligations related to securities sold under repurchase agreements and securities loaned	**19,998**	21,767	21,767
Derivative financial instruments	**6,036**	6,612	6,612
Liabilities related to transferred receivables	**20,100**	20,122	20,098
Other liabilities	**5,824**	5,791	5,758
	76,539	75,646	75,589
Subordinated debt	**747**	9	9
Equity			
Equity attributable to the Bank's shareholders			
Preferred shares	**2,450**	2,050	2,050
Common shares	**2,822**	2,768	2,768
Contributed surplus	**57**	58	58
Retained earnings	**8,472**	7,567	7,706
Accumulated other comprehensive income	**175**	158	168
	13,976	12,601	12,750
Non-controlling interests	**379**	792	808
	14,355	13,393	13,558
	262,471	245,835	245,827

(1) The Consolidated Balance Sheets as at October 31, 2018 and as at November 1, 2017 reflect the adoption of IFRS 9 on November 1, 2017. For additional information on IFRS 9 adoption, see Notes 1 and 3 to the audited annual consolidated financial statements for the year ended October 31, 2018. Comparative information has not been restated.

Consolidated Statements of Income

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2018[(1)]	2017	**2018**[(1)]	2017
Interest income				
Loans	**1,506**	1,286	**5,632**	4,715
Securities at fair value through profit or loss	**186**	132	**771**	598
Available-for-sale securities		47		227
Securities at fair value through other comprehensive income	**44**		**152**	
Held-to-maturity securities		44		130
Securities at amortized cost	**50**		**174**	
Deposits with financial institutions	**55**	39	**206**	114
	1,841	1,548	**6,935**	5,784
Interest expense				
Deposits	**748**	502	**2,562**	1,780
Liabilities related to transferred receivables	**110**	107	**414**	403
Subordinated debt	**6**	1	**18**	16
Other	**151**	57	**559**	149
	1,015	667	**3,553**	2,348
Net interest income[(2)]	**826**	881	**3,382**	3,436
Non-interest income				
Underwriting and advisory fees	**104**	71	**388**	349
Securities brokerage commissions	**48**	50	**195**	216
Mutual fund revenues	**110**	105	**438**	412
Trust service revenues	**150**	136	**587**	518
Credit fees	**104**	95	**403**	361
Card revenues	**39**	33	**159**	132
Deposit and payment service charges	**73**	76	**280**	279
Trading revenues (losses)	**248**	134	**840**	374
Gains (losses) on available-for-sale securities, net		39		140
Gains (losses) on non-trading securities, net	**9**		**77**	
Insurance revenues, net	**29**	25	**121**	117
Foreign exchange revenues, other than trading	**23**	19	**95**	81
Share in the net income of associates and joint ventures	**9**	11	**28**	35
Other	**42**	29	**173**	159
	988	823	**3,784**	3,173
Total revenues	**1,814**	1,704	**7,166**	6,609
Provisions for credit losses	**73**	70	**327**	244
	1,741	1,634	**6,839**	6,365
Non-interest expenses				
Compensation and employee benefits	**616**	601	**2,466**	2,358
Occupancy	**60**	59	**236**	236
Technology	**157**	148	**620**	568
Communications	**15**	14	**63**	61
Professional fees	**65**	64	**244**	254
Other	**123**	90	**434**	380
	1,036	976	**4,063**	3,857
Income before income taxes	**705**	658	**2,776**	2,508
Income taxes	**139**	133	**544**	484
Net income	**566**	525	**2,232**	2,024
Net income attributable to				
Preferred shareholders	**32**	27	**105**	85
Common shareholders	**518**	479	**2,040**	1,855
Bank shareholders	**550**	506	**2,145**	1,940
Non-controlling interests	**16**	19	**87**	84
	566	525	**2,232**	2,024
Earnings per share *(dollars)*				
Basic	**1.53**	1.40	**6.01**	5.44
Diluted	**1.52**	1.39	**5.94**	5.38
Dividends per common share *(dollars)*	**0.62**	0.58	**2.44**	2.28

(1) The Consolidated Statements of Income for the quarter and year ended October 31, 2018 reflect the adoption of IFRS 9 on November 1, 2017. For additional information on IFRS 9 adoption, see Notes 1 and 3 to the audited annual consolidated financial statements for the year ended October 31, 2018. Comparative information has not been restated.

(2) *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 October 31		Year ended October 31	
	2018[(1)]	2017	**2018**[(1)]	2017
Net income	**566**	525	**2,232**	2,024
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	**21**	61	**41**	(64)
Impact of hedging net foreign currency translation gains (losses)	**(7)**	(18)	**(13)**	25
	14	43	**28**	(39)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities		37		119
Net (gains) losses on available-for-sale securities reclassified to net income		(35)		(131)
		2		(12)
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	**(9)**		**(11)**	
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**4**		**(5)**	
	(5)		**(16)**	
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**27**	20	**51**	33
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(14)**	(8)	**(46)**	(26)
	13	12	**5**	7
Share in the other comprehensive income of associates and joint ventures	**(5)**	(9)	**1**	(10)
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(70)**	(43)	**103**	97
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(3)**		**(2)**	
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**6**	9	**21**	(21)
	(67)	(34)	**122**	76
Total other comprehensive income, net of income taxes	**(50)**	14	**140**	22
Comprehensive income	**516**	539	**2,372**	2,046
Comprehensive income attributable to				
Bank shareholders	**499**	518	**2,284**	1,966
Non-controlling interests	**17**	21	**88**	80
	516	539	**2,372**	2,046

(1) The Consolidated Statements of Comprehensive Income for the quarter and year ended October 31, 2018 reflect the adoption of IFRS 9 on November 1, 2017. For additional information on IFRS 9 adoption, see Notes 1 and 3 to the audited annual consolidated financial statements for the year ended October 31, 2018. Comparative information has not been restated.

Consolidated Statements of Comprehensive Income (cont.)

(unaudited) (millions of Canadian dollars)

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	
	2018[1]	2017	**2018[1]**	2017
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**1**	(3)	**1**	(2)
Impact of hedging net foreign currency translation gains (losses)	**(1)**	(6)	**–**	1
	–	(9)	**1**	(1)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities		17		46
Net (gains) losses on available-for-sale securities reclassified to net income		(13)		(48)
		4		(2)
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	**(4)**		**(4)**	
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**2**		**(1)**	
	(2)		**(5)**	
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**10**	7	**19**	12
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(5)**	(2)	**(17)**	(9)
	5	5	**2**	3
Share in the other comprehensive income of associates and joint ventures	**(1)**	(3)	**–**	(3)
Remeasurements of pension plans and other post-employment benefit plans	**(26)**	(15)	**37**	36
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(2)**		**(1)**	
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**2**	3	**7**	(8)
	(24)	(15)	**41**	25

(1) The Consolidated Statements of Comprehensive Income for the quarter and year ended October 31, 2018 reflect the adoption of IFRS 9 on November 1, 2017. For additional information on IFRS 9 adoption, see Notes 1 and 3 to the audited annual consolidated financial statements for the year ended October 31, 2018. Comparative information has not been restated.

Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars)

	Year ended October 31	
	2018[1]	2017
Preferred shares at beginning	2,050	1,650
Issuances of Series 38, 40 and 42 preferred shares	600	400
Redemption of Series 28 preferred shares for cancellation	(200)	–
Preferred shares at end	2,450	2,050
Common shares at beginning	2,768	2,645
Issuances of common shares pursuant to the Stock Option Plan	128	179
Repurchases of common shares for cancellation	(64)	(16)
Impact of shares purchased or sold for trading	(10)	(37)
Other	–	(3)
Common shares at end	2,822	2,768
Contributed surplus at beginning	58	73
Stock option expense	12	11
Stock options exercised	(15)	(26)
Other	2	–
Contributed surplus at end	57	58
Retained earnings at beginning	7,706	6,706
Impact of adopting IFRS 9 on November 1, 2017	(139)	
Net income attributable to the Bank's shareholders	2,145	1,940
Dividends on preferred shares	(105)	(85)
Dividends on common shares	(829)	(778)
Premium paid on common shares repurchased for cancellation	(403)	(99)
Share issuance expenses, net of income taxes	(12)	(8)
Remeasurements of pension plans and other post-employment benefit plans	103	97
Net gains (losses) on equity securities designated at fair value through other comprehensive income	(2)	
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	21	(21)
Impact of a financial liability resulting from put options written to non-controlling interests	–	(34)
Other	(13)	(12)
Retained earnings at end	8,472	7,706
Accumulated other comprehensive income at beginning	168	218
Impact of adopting IFRS 9 on November 1, 2017	(10)	
Net foreign currency translation adjustments	27	(39)
Net change in unrealized gains (losses) on available-for-sale securities		(12)
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	(16)	
Net change in gains (losses) on cash flow hedges	5	11
Share in the other comprehensive income of associates and joint ventures	1	(10)
Accumulated other comprehensive income at end	175	168
Equity attributable to the Bank's shareholders	13,976	12,750
Non-controlling interests at beginning	808	810
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	87	84
Other comprehensive income attributable to non-controlling interests	1	(4)
Distributions to non-controlling interests	(101)	(82)
Non-controlling interests at end	379	808
Equity	14,355	13,558

Accumulated Other Comprehensive Income

	As at October 31, 2018	As at October 31, 2017
Accumulated other comprehensive income		
Net foreign currency translation adjustments	14	(13)
Net unrealized gains (losses) on available-for-sale securities		39
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	13	
Net gains (losses) on instruments designated as cash flow hedges	151	146
Share in the other comprehensive income of associates and joint ventures	(3)	(4)
	175	168

(1) The Consolidated Statement of Changes in Equity for year ended October 31, 2018 reflects the adoption of IFRS 9 on November 1, 2017. For additional information on IFRS 9 adoption, see Notes 1 and 3 to the audited annual consolidated financial statements for the year ended October 31, 2018. Comparative information has not been restated.

Segment Disclosures

(unaudited) (millions of Canadian dollars)

Personal and Commercial

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

Wealth Management

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

Financial Markets

The Financial Markets segment encompasses corporate banking and investment banking services 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 subsidiary Credigy; 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.

Results by Business Segment

Quarter ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income[2]	**572**	537	**131**	118	**71**	165	**147**	139	**(95)**	(78)	**826**	881
Non-interest income[2]	**259**	249	**314**	294	**365**	248	**11**	15	**39**	17	**988**	823
Total revenues	**831**	786	**445**	412	**436**	413	**158**	154	**(56)**	(61)	**1,814**	1,704
Non-interest expenses	**431**	417	**276**	263	**174**	163	**65**	56	**90**	77	**1,036**	976
Contribution	**400**	369	**169**	149	**262**	250	**93**	98	**(146)**	(138)	**778**	728
Provisions for credit losses[3]	**50**	50	**2**	1	**–**	–	**22**	19	**(1)**	–	**73**	70
Income before income taxes (recovery)	**350**	319	**167**	148	**262**	250	**71**	79	**(145)**	(138)	**705**	658
Income taxes (recovery)[2]	**93**	85	**43**	39	**70**	67	**16**	24	**(83)**	(82)	**139**	133
Net income	**257**	234	**124**	109	**192**	183	**55**	55	**(62)**	(56)	**566**	525
Non-controlling interests	**–**	–	**–**	–	**–**	–	**8**	6	**8**	13	**16**	19
Net income attributable to the Bank's shareholders	**257**	234	**124**	109	**192**	183	**47**	49	**(70)**	(69)	**550**	506
Average assets	**103,102**	97,805	**13,134**	12,115	**97,976**	93,030	**9,957**	8,658	**43,513**	39,694	**267,682**	251,302

Year ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income[4]	**2,212**	2,069	**510**	431	**409**	772	**584**	466	**(333)**	(302)	**3,382**	3,436
Non-interest income[4]	**1,027**	988	**1,249**	1,173	**1,334**	846	**55**	75	**119**	91	**3,784**	3,173
Total revenues	**3,239**	3,057	**1,759**	1,604	**1,743**	1,618	**639**	541	**(214)**	(211)	**7,166**	6,609
Non-interest expenses	**1,720**	1,672	**1,092**	1,046	**697**	665	**251**	225	**303**	249	**4,063**	3,857
Contribution	**1,519**	1,385	**667**	558	**1,046**	953	**388**	316	**(517)**	(460)	**3,103**	2,752
Provisions for credit losses[3]	**226**	153	**3**	3	**4**	–	**94**	48	**–**	40	**327**	244
Income before income taxes (recovery)	**1,293**	1,232	**664**	555	**1,042**	953	**294**	268	**(517)**	(500)	**2,776**	2,508
Income taxes (recovery)[4]	**345**	329	**175**	147	**278**	255	**72**	84	**(326)**	(331)	**544**	484
Net income	**948**	903	**489**	408	**764**	698	**222**	184	**(191)**	(169)	**2,232**	2,024
Non-controlling interests	**–**	–	**–**	–	**–**	–	**38**	29	**49**	55	**87**	84
Net income attributable to the Bank's shareholders	**948**	903	**489**	408	**764**	698	**184**	155	**(240)**	(224)	**2,145**	1,940
Average assets	**100,619**	96,433	**12,551**	11,652	**100,721**	94,991	**9,270**	7,519	**42,601**	37,756	**265,762**	248,351

(1) For the quarter and year ended October 31, 2017, certain amounts have been reclassified, particularly in the USSF&I segment, where an amount of $40 million reported in *Non-interest income* was reclassified to *Net interest income* for the quarter ended October 31, 2017 ($204 million for the year ended October 31, 2017).

(2) The *Net interest income, Non-interest income* and *Income taxes (recovery)* items of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $35 million ($40 million in 2017), *Non-interest income* was grossed up by $25 million ($14 million in 2017), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(3) Given the adoption of IFRS 9 on November 1, 2017, the Bank accounts for all provisions for credit losses within the business segments. For the quarter and the year ended October 31, 2017, only provisions for credit losses on impaired loans had been recognized in the business segments, whereas provisions for credit losses on non-impaired loans had been recognized in the *Other* heading. During the year ended October 31, 2017, the Bank had reversed, by $40 million, the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio presented in the Personal and Commercial segment, and the $40 million in provisions for credit losses in the *Other* heading had reflected an increase in the collective allowance for credit risk on non-impaired loans.

(4) For the year ended October 31, 2018, *Net interest income* was grossed up by $144 million ($209 million in 2017), *Non-interest income* was grossed up by $101 million ($35 million in 2017), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of the adjustments is reversed under the *Other* heading.

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Major Economic Trends 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*, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business, capital and liquidity; 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.

Information for Shareholders and Investors

Disclosure of Fourth Quarter 2018 Results

Conference Call

- A conference call for analysts and institutional investors will be held on Wednesday, December 5, 2018 at 1:00 p.m. EST.
- Access by telephone in listen-only mode: 1-800-898-3989 or 416-406-0743. The access code is 1995846#.
- A recording of the conference call can be heard until January 3, 2019 by dialing 1-800-408-3053 or 905-694-9451. The access code is 1381684#.

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 shortly before the start of the conference call.
- The *2018 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, 2019 will be available on February 27, 2019 (subject to approval by the Bank's Board of Directors).

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