Report to Shareholders — Second Quarter 2019

National Bank reports its results for the Second Quarter of 2019 and raises its quarterly dividend by 3 cents to 68 cents per share

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter and six-month period ended April 30, 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, May 30, 2019 – For the second quarter of 2019, National Bank is reporting net income of $558 million, a 2% increase from $547 million in the second quarter of 2018. Its diluted earnings per share stood at $1.51 in the second quarter of 2019 compared to $1.44 in the same quarter of 2018, a 5% increase driven essentially by growth in most business segments, tempered by a slowdown in the Financial Markets segment.

For the first six months of 2019, the Bank's net income totalled $1,110 million, a $13 million increase from $1,097 million in the same period of 2018. Diluted earnings per share stood at $3.01 for the first six months of 2019, up 4% from $2.90 in the same period of 2018.

"In the second quarter of fiscal 2019, the Bank delivered solid performance with earnings of $558 million and earnings per share of $1.51, up 5% from last year," said Louis Vachon, President and Chief Executive Officer of National Bank of Canada. "On the strength of favourable economic fundamentals, our performance was driven by positive momentum in our businesses, disciplined cost management, strong credit quality and solid capital ratios."

Highlights

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2019	2018	% Change	**2019**	2018	% Change
Net income	**558**	547	2	**1,110**	1,097	1
Diluted earnings per share *(dollars)*	**$ 1.51**	$ 1.44	5	**$ 3.01**	$ 2.90	4
Return on common shareholders' equity	**17.8 %**	18.6 %		**17.5 %**	18.6 %	
Dividend payout ratio	**42 %**	41 %		**42 %**	41 %	

	As at April 30, 2019	As at October 31, 2018
CET1 capital ratio under Basel III	**11.5 %**	11.7 %
Leverage ratio under Basel III	**4.0 %**	4.0 %

Personal and Commercial

- Net income totalled $234 million in the second quarter of 2019, up 9% from $215 million in the second quarter of 2018.
- At $833 million, second-quarter total revenues rose $38 million or 5% year over year.
- Rising 4% from a year ago, personal lending experienced growth, particularly due to mortgage lending, while commercial lending grew 9% from a year ago.
- Net interest margin was 2.23% in the second quarter of 2019, stable when compared to the second quarter of 2018.
- Second-quarter non-interest expenses were up 2% year over year.
- At 54.3%, the second-quarter efficiency ratio improved from 56.0% in the second quarter of 2018.

Wealth Management

- Net income totalled $118 million in the second quarter of 2019, a 5% increase from $112 million in the second quarter of 2018.
- Second-quarter total revenues amounted to $426 million compared to $413 million in second quarter 2018, a $13 million increase driven by growth in net interest income and in fee-based revenues.
- Second-quarter non-interest expenses stood at $266 million, up 2% from $260 million in the second quarter of 2018.
- At 62.4%, the efficiency ratio improved from 63.0% in the second quarter of 2018.

Financial Markets

- Net income totalled $160 million in the second quarter of 2019, down 16% from $190 million in the same quarter of 2018.
- Second-quarter total revenues on a taxable equivalent basis(1) amounted to $404 million, a $33 million or 8% year-over-year decrease attributable mainly to lower revenues from the global markets revenue category.
- Second-quarter non-interest expenses stood at $179 million compared to $176 million in the second quarter of 2018.
- At 44.3%, the second-quarter efficiency ratio on a taxable equivalent basis(1) compares to 40.3% in the second quarter of 2018.

U.S. Specialty Finance and International

- Net income totalled $72 million in the second quarter of 2019, a 14% increase from $63 million in the same quarter of 2018.
- Second-quarter total revenues amounted to $178 million, a $4 million year-over-year increase driven by revenue growth at the ABA Bank subsidiary, partly offset by lower revenues at the Credigy subsidiary.
- Second-quarter non-interest expenses stood at $74 million, a $12 million year-over-year increase attributable to the expansion of ABA Bank's banking network.

Other

- The *Other* heading posted a net loss of $26 million in the second quarter of 2019 versus a $33 million net loss in the same quarter of 2018.

Capital Management

- As at April 30, 2019, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 11.5%, down when compared to 11.7% as at October 31, 2018.
- As at April 30, 2019, the Basel III leverage ratio was 4.0%, stable compared to October 31, 2018.

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

Management's Discussion and Analysis

May 29, 2019

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in *National Instrument 51-102, Continuous Disclosure Obligations,* released by the Canadian Securities Administrators (CSA). It is based on the unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter and six-month period ended April 30, 2019 and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the quarter and six-month period ended April 30, 2019 and with the *2018 Annual Report*. All amounts are presented in Canadian dollars. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

Caution Regarding Forward-Looking Statements

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

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

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 52 of the *2018 Annual Report*, and more specifically, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. *Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank's information technology systems, including evolving cyber attack risk.

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

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

Financial Reporting Method

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

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

Non-GAAP Financial Measures

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

Like many other financial institutions, the Bank uses the taxable equivalent basis to calculate net interest income, non-interest income and income taxes. This calculation method consists of grossing up certain tax-exempt income (particularly dividends) by the income tax that would have been otherwise payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment.

The specified items related to the acquisitions of recent years (mainly those of the Wealth Management segment) are no longer presented as specified items as of November 1, 2018, since the amounts are not considered significant. The figures for the quarter and six-month period ended April 30, 2018 reflect this change.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2019	2018	% Change	**2019**	2018	% Change
Net income(1)						
Personal and Commercial	**234**	215	9	**480**	445	8
Wealth Management	**118**	112	5	**243**	226	8
Financial Markets	**160**	190	(16)	**330**	394	(16)
U.S. Specialty Finance and International	**72**	63	14	**132**	113	17
Other	**(26)**	(33)		**(75)**	(81)	
Net income	**558**	547	2	**1,110**	1,097	1
Diluted earnings per share	**$ 1.51**	$ 1.44	5	**$ 3.01**	$ 2.90	4
Return on common shareholders' equity	**17.8 %**	18.6 %		**17.5 %**	18.6 %	

(1) For the quarter and six-month period ended April 30, 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.

Highlights

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2019	2018	% Change	**2019**	2018	% Change
Operating results						
Total revenues	**1,770**	1,754	1	**3,569**	3,560	–
Total revenues on a taxable equivalent basis[(1)]	**1,850**	1,818	2	**3,712**	3,683	1
Net income	**558**	547	2	**1,110**	1,097	1
Net income attributable to the Bank's shareholders	**539**	522	3	**1,075**	1,049	2
Return on common shareholders' equity	**17.8 %**	18.6 %		**17.5 %**	18.6 %	
Efficiency ratio on a taxable equivalent basis[(1)]	**55.5 %**	54.6 %		**55.3 %**	54.7 %	
Earnings per share						
Basic	**$ 1.52**	$ 1.46	4	**$ 3.03**	$ 2.94	3
Diluted	**1.51**	1.44	5	**3.01**	2.90	4
Common share information						
Dividends declared	**$ 0.65**	$ 0.60		**$ 1.30**	$ 1.20	
Book value				**35.49**	32.64	
Share price						
High	**63.82**	64.08		**63.82**	65.35	
Low	**60.31**	58.69		**54.97**	58.69	
Close	**63.82**	60.98		**63.82**	60.98	
Number of common shares *(thousands)*	**335,116**	339,348		**335,116**	339,348	
Market capitalization	**21,387**	20,693		**21,387**	20,693	

(millions of Canadian dollars)	**As at April 30, 2019**	As at October 31, 2018	% Change
Balance sheet and off-balance-sheet			
Total assets	**269,106**	262,471	3
Loans and acceptances, net of allowances	**148,742**	146,082	2
Deposits	**179,419**	170,830	5
Equity attributable to common shareholders	**11,892**	11,526	3
Assets under administration and under management	**549,391**	485,080	13
Regulatory ratios under Basel III			
Capital ratios			
Common Equity Tier 1 (CET1)	**11.5 %**	11.7 %	
Tier 1	**15.1 %**	15.5 %	
Total	**16.2 %**	16.8 %	
Leverage ratio	**4.0 %**	4.0 %	
Liquidity coverage ratio (LCR)	**141 %**	147 %	
Other information			
Number of employees – worldwide	**24,137**	23,450	3
Number of branches in Canada	**428**	428	–
Number of banking machines in Canada	**940**	937	–

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

Economic Review and Outlook

Global Economy

In a context of trade tensions, financial markets have been volatile since the fourth quarter of 2018. This development has been exacerbated by disappointing economic data showing a weakening manufacturing sector while the service side of the global economy has shown resilience. Fortunately, activity in the emerging markets manufacturing sector stabilized early in 2019, supporting global economic growth this year above 3.0%[1]. With inflation still under control, central banks should be more accommodative than previously thought, while certain governments, including China's, are using their flexibility to adopt fiscal stimulus measures. High frequency indicators such as West Texas Intermediate (WTI) oil prices being back above US$60, the resilience of copper prices, and a rebound in transportation costs do not suggest that the global economy is losing steam. After a year of strong growth, the U.S. economy is expected to slow down in 2019. Nevertheless, it should still grow at a rate of 2.5%[1] in 2019 thanks to fiscal stimulus and a non-restrictive monetary policy. Optimism among businesses remains high, which bodes well for employment and investment. Households are also showing high levels of confidence, mainly due to a 50-year low unemployment rate and improved wage growth, which should support consumer spending in the coming quarters. Nevertheless, in a still-uncertain geopolitical context, the U.S. Federal Reserve should maintain an accommodative monetary policy stance as inflation remains tame.

Canadian Economy

Despite weakness observed in the fourth quarter of 2018 and early in the first quarter of 2019, the Canadian economy should grow at potential in 2019 (1.6%[1]). The tighter conditions on granting credit for uninsured mortgages had the expected effect, cooling down residential real estate in the most expensive markets (British Columbia and Ontario). Given this context, the central bank will exercise caution before introducing any more rate hikes in order to gauge the impacts of steps already taken, especially since inflation remains essentially on target. However, current resale market conditions do not suggest a home price correction at this point. While economic growth softened recently, the labour market held firm, which translated into decent income gains and provided support for consumption and housing in 2019. Private sector jobs surged by 210,000 in the first four months of 2019, the best start to a year on record. Strong labour markets coupled with one of the most aggressive immigration policies in the Organisation for Economic Co-operation and Development (OECD) and that targets well-educated people is stimulating demand for housing in Canada's largest cities. The weak Canadian dollar remains favourable for exports, and the new United States–Mexico–Canada Agreement (USMCA) (not yet ratified) has somewhat reassured exporters, who may in turn increase investment. The accelerated depreciation measure implemented by the federal government and some provincial governments could further encourage businesses to do just that. A stabilization of the economies of oil-producing provinces cannot be ruled out, with Western Canada Select (WCS) prices bouncing back in the second quarter of 2019 to its highest level since 2014.

Quebec Economy

Unlike the rest of Canada, Quebec did not experience a soft patch in the fourth quarter of 2018. Gross domestic product (GDP) is rising at an annualized pace of 1.5% and is supported by generalized growth across industries. In 2019, Quebec is expected to outperform the Canadian economy for a second consecutive year (1.8% vs. 1.6%[1]). Consumption is still expected to contribute to growth this year, as households are demonstrating a high degree of optimism given the record low unemployment rate. Furthermore, with the strong wage gains seen since 2016, Quebec households have been able to maintain a savings rate that is much higher than the national average. This serves as a buffer that could support consumption in 2019. With very good housing affordability, Quebec maintains a lower household debt level than the rest of Canada, making the province's economy less vulnerable to a shock. In fact, the Quebec housing sector has been spared the slowdown seen in Ontario and British Columbia. Home resales in Quebec are at a record level so far in 2019. Despite a labour shortage, business confidence remains strong and should translate into a faster pace of investment to offset the scarcity of workers. The government had the luxury of surpluses to finance some election commitments. This, combined with a larger infrastructure plan compared to what was presented a year ago, means that the Quebec economy is being supported by fiscal stimulus in 2019.

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

Financial Analysis

Consolidated Results

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2019	2018	% Change	**2019**	2018	% Change
Operating results						
Net interest income	**942**	885	6	**1,805**	1,719	5
Non-interest income	**828**	869	(5)	**1,764**	1,841	(4)
Total revenues	**1,770**	1,754	1	**3,569**	3,560	–
Non-interest expenses	**1,026**	992	3	**2,052**	2,016	2
Contribution	**744**	762	(2)	**1,517**	1,544	(2)
Provisions for credit losses	**84**	91	(8)	**172**	178	(3)
Income before income taxes	**660**	671	(2)	**1,345**	1,366	(2)
Income taxes	**102**	124	(18)	**235**	269	(13)
Net income	**558**	547	2	**1,110**	1,097	1
Diluted earnings per share *(dollars)*	**1.51**	1.44	5	**3.01**	2.90	4
Taxable equivalent basis[1]						
Net interest income	**45**	36		**80**	74	
Non-interest income	**35**	28		**63**	49	
Income taxes	**80**	64		**143**	123	
Impact of taxable equivalent basis on net income	**–**	–		**–**	–	
Operating results on a taxable equivalent basis[1]						
Net interest income on a taxable equivalent basis	**987**	921	7	**1,885**	1,793	5
Non-interest income on a taxable equivalent basis	**863**	897	(4)	**1,827**	1,890	(3)
Total revenues on a taxable equivalent basis	**1,850**	1,818	2	**3,712**	3,683	1
Non-interest expenses	**1,026**	992	3	**2,052**	2,016	2
Contribution on a taxable equivalent basis	**824**	826	–	**1,660**	1,667	–
Provisions for credit losses	**84**	91	(8)	**172**	178	(3)
Income before income taxes on a taxable equivalent basis	**740**	735	1	**1,488**	1,489	–
Income taxes on a taxable equivalent basis	**182**	188	(3)	**378**	392	(4)
Net income	**558**	547	2	**1,110**	1,097	1
Diluted earnings per share *(dollars)*	**1.51**	1.44	5	**3.01**	2.90	4
Average assets	**283,172**	267,941	6	**281,268**	265,137	6
Average loans and acceptances	**147,139**	138,095	7	**146,602**	136,992	7
Average deposits	**180,421**	166,201	9	**178,423**	165,227	8
Efficiency ratio on a taxable equivalent basis[1]	**55.5 %**	54.6 %		**55.3 %**	54.7 %	

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

Financial Results

For the second quarter of 2019, the Bank reported net income of $558 million, an $11 million or 2% increase from $547 million in the second quarter of 2018, and second-quarter diluted earnings per share stood at $1.51, up 5% from $1.44 in the second quarter of 2018. These increases were driven by net income growth of 9% in the Personal and Commercial segment, of 5% in the Wealth Management segment, and of 14% in the U.S. Specialty Finance and International (USSF&I) segment. However, a slowdown in capital markets activity continued to affect the performance of the Financial Markets segment, whose net income declined 16% year over year.

For the six month-period ended April 30, 2019, the Bank's net income totalled $1,110 million, a $13 million increase from $1,097 million in the same six-month period of 2018, and its first-half diluted earnings per share stood at $3.01, up 4% from $2.90 in the same period of 2018. These increases were essentially driven by good performance in the Personal and Commercial segment, Wealth Management segment, and U.S. Specialty Finance and International (USSF&I) segment, while the Financial Markets segment experienced a slowdown in the first half of 2019.

Return on common shareholders' equity was 17.5% for the six months ended April 30, 2019 compared to 18.6% in the same period of 2018.

Total Revenues

For the second quarter of 2019, the Bank's total revenues amounted to $1,770 million, up $16 million from second quarter 2018. The Personal and Commercial segment's total revenues were up 5% owing to growth in loan and deposit volumes and to higher card revenues. The Wealth Management segment's total revenues were up 3% owing to growth in mutual fund revenues and trust service revenues. And the USSF&I segment's total revenues were up 2% owing essentially to revenue growth at the ABA Bank subsidiary, partly offset by lower revenues at the Credigy subsidiary. These increases in total revenues were tempered by a decrease in the Financial Markets segment's total revenues given a slowdown in capital markets activity during the second quarter of 2019 and also due to lower year-over-year gains on investments.

For the six-month period ended April 30, 2019, total revenues amounted to $3,569 million compared to $3,560 million in the same six-month period of 2018, a $9 million increase owing essentially to the same factors as those provided for the quarter as well as to an increase in the Wealth Management segment's net interest income arising from growth in loan and deposit volumes and improved deposit margins.

Non-Interest Expenses

For the second quarter of 2019, the Bank's non-interest expenses stood at $1,026 million, a 3% year-over-year increase resulting mainly from higher compensation and employee benefits (in particular compensation related to the expansion of ABA Bank's banking network), from higher technology investment expenses incurred as part of the Bank's transformation plan and for business development.

For the six-month period ended April 30, 2019, the Bank's non-interest expenses stood at $2,052 million, a 2% year-over-year increase attributable to higher occupancy fees resulting mainly from the expansion of ABA Bank's banking network, to growth in technology investment expenses, and to higher other expenses, particularly advertising expenses and external relations expenses. These increases were, however, tempered by a decrease in variable compensation attributable in part to the lower revenues generated by the Financial Markets segment.

Provisions for Credit Losses

For the second quarter of 2019, the Bank recorded $84 million in provisions for credit losses compared to $91 million in the same quarter of 2018. This decrease came mainly from lower provisions for credit losses on USSF&I loans, essentially attributable to the Credigy subsidiary, partly offset by higher credit loss provisions on commercial loans and Financial Markets loans.

For the six-month period ended April 30, 2019, the Bank recorded $172 million in provisions for credit losses, $6 million less than in the same period of 2018. This decrease was essentially due to the same reasons as those provided for the quarter as well as to a decrease in the credit loss provisions on personal loans, mainly provisions on non-impaired loans.

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 April 30, 2019, gross impaired loans excluding POCI loans stood at $627 million compared to $630 million as at October 31, 2018. Net impaired loans excluding POCI loans stood at $379 million as at April 30, 2019 compared to $404 million as at October 31, 2018, a $25 million decrease mainly attributable to commercial loans. Gross POCI loans stood at $1,263 million as at April 30, 2019, whereas they had stood at $1,576 million as at October 31, 2018.

Income Taxes

For the second quarter of 2019, income taxes stood at $102 million compared to $124 million in the same quarter of 2018. The 2019 second-quarter effective tax rate was 15% compared to 18% in second quarter 2018. This change in effective tax rate was created 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 six months ended April 30, 2019, the effective income tax rate stood at 17% compared to 20% in the same period of 2018.

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 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 April 30			Six months ended April 30		
	2019	2018[1]	% Change	**2019**	2018[1]	% Change
Operating results						
Net interest income	**577**	547	5	**1,166**	1,107	5
Non-interest income	**256**	248	3	**519**	503	3
Total revenues	**833**	795	5	**1,685**	1,610	5
Non-interest expenses	**452**	445	2	**910**	888	2
Contribution	**381**	350	9	**775**	722	7
Provisions for credit losses	**63**	57	11	**121**	115	5
Income before income taxes	**318**	293	9	**654**	607	8
Income taxes	**84**	78	8	**174**	162	7
Net income	**234**	215	9	**480**	445	8
Net interest margin[2]	**2.23 %**	2.23 %		**2.22 %**	2.23 %	
Average interest-bearing assets	**106,074**	100,515	6	**105,726**	99,950	6
Average assets	**111,910**	105,751	6	**111,521**	105,172	6
Average loans and acceptances	**111,433**	105,421	6	**111,003**	104,818	6
Net impaired loans[3]	**357**	369	(3)	**357**	369	(3)
Net impaired loans[3] as a % of average loans and acceptances	**0.3 %**	0.4 %		**0.3 %**	0.4 %	
Average deposits	**60,830**	56,646	7	**61,116**	56,582	8
Efficiency ratio	**54.3 %**	56.0 %		**54.0 %**	55.2 %	

(1) For the quarter and six-month period ended April 30, 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 $234 million in the second quarter of 2019, up 9% from $215 million in the second quarter of 2018. The segment's second-quarter total revenues increased by $38 million or 5% year over year owing to growth in net interest income, which rose $30 million, as well as to growth in non-interest income, which rose $8 million. The increase in net interest income was driven by higher personal and commercial loan and deposit volumes. The 2019 second-quarter net interest margin stood at 2.23%, unchanged from the second quarter of 2018.

Personal Banking's second-quarter total revenues rose $24 million year over year. This increase was essentially driven by growth in loan and deposit volumes and by higher card revenues. As for Commercial Banking's second-quarter total revenues, they rose $14 million year over year, mainly due to higher net interest income driven by growth in loan and deposit volumes and by higher bankers' acceptance revenues.

For the second quarter of 2019, the segment's non-interest expenses were up $7 million year over year, mainly due to higher operations support charges, in particular the amortization expense related to technology investments. At 54.3%, the second-quarter efficiency ratio improved by 1.7 percentage points when compared to the second quarter of 2018. The segment's second-quarter provisions for credit losses stood at $63 million, a $6 million year-over-year increase that was mainly due to higher provisions on Commercial Banking impaired loans, tempered by a slight decrease in provisions on personal loans.

For the six-month period ended April 30, 2019, the Personal and Commercial segment's net income totalled $480 million, up 8% from $445 million in the same period of 2018. The segment's first-half total revenues grew 5% year over year. The growth in Personal Banking's total revenues was due to the same reasons as those provided for the quarter, while the growth in Commercial Banking's total revenues came from higher loan and deposit volumes and from increases in revenues from credit fees, revenues from bankers' acceptances, and revenues from foreign exchange activities. The segment's first-half non-interest expenses rose $22 million year over year, mainly due to increases in operations support charges, compensation and employee benefits, and technology investment expenses. The segment's first-half contribution increased $53 million or 7%. At 54.0% for the six months ended April 30, 2019, the efficiency ratio improved by 1.2 percentage points compared with the same six-month period of 2018. The first-half provisions for credit losses were up $6 million compared to the same period in 2018, mainly due to higher credit loss provisions on commercial loans, tempered by lower provisions on personal loans, while first-half provisions on credit card receivables remained stable year over year.

Wealth Management

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2019	2018[1]	% Change	2019	2018[1]	% Change
Operating results						
Net interest income	112	109	3	240	217	11
Fee-based revenues	250	242	3	492	488	1
Transaction-based and other revenues	64	62	3	128	132	(3)
Total revenues	426	413	3	860	837	3
Non-interest expenses	266	260	2	531	529	–
Contribution	160	153	5	329	308	7
Provisions for credit losses	–	1		–	1	
Income before income taxes	160	152	5	329	307	7
Income taxes	42	40	5	86	81	6
Net income	118	112	5	243	226	8
Average assets	6,154	6,094	1	6,326	6,061	4
Average loans and acceptances	4,829	4,669	3	4,871	4,584	6
Net impaired loans[2]	3	1		3	1	
Average deposits	32,486	31,134	4	32,813	31,069	6
Assets under administration and under management	549,391	495,422	11	549,391	495,422	11
Efficiency ratio	62.4 %	63.0 %		61.7 %	63.2 %	

(1) For the quarter and six-month period ended April 30, 2018, certain amounts have been reclassified, mainly amounts related to advisor banking service activities, which have been transferred from the Wealth Management segment to the Personal and Commercial segment.
(2) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Wealth Management segment, net income totalled $118 million in the second quarter of 2019, a 5% increase from $112 million in the same quarter of 2018. The segment's second-quarter total revenues amounted to $426 million, up $13 million from $413 million in the second quarter of 2018. This increase was driven by higher net interest income (owing to growth in loan and deposit volumes) and by higher revenues from fee-based services, which rose 3% owing to growth in assets under administration and under management resulting from a stock market rebound during the second quarter of 2019. Transaction-based and other revenues were up 3%, essentially due to higher transaction volume during the second quarter of 2019.

For the second quarter of 2019, the segment's non-interest expenses stood at $266 million, a 2% year-over-year increase that was driven mainly by higher operations support charges. At 62.4%, the second-quarter efficiency ratio improved by 0.6 percentage points when compared to the second quarter of 2018. For the second quarter of 2019, the segment's provisions for credit losses were negligible, stable when compared to the second quarter of 2018.

For the six months ended April 30, 2019, the Wealth Management segment's net income totalled $243 million, up 8% from $226 million in the same six-month period of 2018. At $860 million, the segment's first-half total revenues grew from $837 million in the same period of 2018. First-half net interest income and fee-based revenues were up due to the same reasons as those provided for the quarter. First-half transaction-based and other revenues were down 3% year over year, essentially due to a decrease in transaction volume. Non-interest expenses stood at $531 million compared to $529 million in first-half 2018, for an increase resulting from higher operations support charges related to the segment's initiatives. At 61.7%, the efficiency ratio for the six-month period ended April 30, 2019 improved from 63.2% in the same period of 2018. Year over year, the first-half provisions for credit losses remained relatively stable.

Assets under administration and under management increased by $54.0 billion or 11% from a year ago, mainly due to net inflows into various solutions and to the stock market rebound.

Financial Markets

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

	Quarter ended April 30			Six months ended April 30		
	2019	2018[2]	% Change	2019	2018[2]	% Change
Operating results						
Global markets						
Equities	124	162	(23)	261	300	(13)
Fixed-income	65	67	(3)	131	149	(12)
Commodities and foreign exchange	29	36	(19)	77	73	5
	218	265	(18)	469	522	(10)
Corporate and investment banking	189	169	12	349	350	–
Gains on investments and other	(3)	3		(4)	19	
Total revenues on a taxable equivalent basis	404	437	(8)	814	891	(9)
Non-interest expenses	179	176	2	354	352	1
Contribution on a taxable equivalent basis	225	261	(14)	460	539	(15)
Provisions for credit losses	7	2		10	2	
Income before income taxes on a taxable equivalent basis	218	259	(16)	450	537	(16)
Income taxes on a taxable equivalent basis	58	69	(16)	120	143	(16)
Net income	160	190	(16)	330	394	(16)
Average assets	109,485	104,131	5	106,974	102,954	4
Average loans and acceptances	16,407	14,756	11	16,317	14,384	13
Net impaired loans[3]	3	–		3	–	
Average deposits	28,793	22,827	26	27,933	22,625	23
Efficiency ratio on a taxable equivalent basis[1]	44.3 %	40.3 %		43.5 %	39.5 %	

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(2) For the quarter and six-month period ended April 30, 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 $160 million in the second quarter of 2019 compared to $190 million in the same quarter of 2018, and total revenues on a taxable equivalent basis amounted to $404 million compared to $437 million in the second quarter of 2018. Global markets revenues declined 18% due to decreases across all types of revenue, primarily revenues from equity securities, which were down 23%. As for revenues from corporate and investment banking services, they were up 12% compared to second-quarter 2018, particularly due to growth in lending activity. Lastly, higher gains on investments and other revenues had been recorded during the second quarter of fiscal 2018.

Second-quarter non-interest expenses stood at $179 million, up $3 million from the second quarter of 2018. This increase was due to higher operations support charges and other expenses, partly offset by a decrease in variable compensation resulting from lower revenues. At 44.3%, the efficiency ratio on a taxable equivalent basis compares to 40.3% in the second quarter of 2018. The segment's provisions for credit losses stood at $7 million in the second quarter of 2019 compared to $2 million in the same quarter of 2018.

For the six months ended April 30, 2019, the segment's net income totalled $330 million, down 16% from the same six-month period in 2018. First-half total revenues on a taxable equivalent basis amounted to $814 million compared to $891 million for the six months ended April 30, 2018. First-half global markets revenues were down 10% year over year, as revenues from equity securities and from fixed-income securities were down 13% and 12%, respectively, whereas revenues from commodities and foreign exchange revenues were up 5%. First-half revenues from corporate banking and investment banking services remained stable year over year. Lastly, higher gains on investments and other revenues had been recorded in the first half of fiscal 2018.

The first-half non-interest expenses were up $2 million or 1% year over year, the reasons being the same as those provided for the second quarter. The first-half efficiency ratio on a taxable equivalent basis was 43.5% compared to 39.5% in the same period of 2018. During the first six months of fiscal 2019, the segment recorded $10 million in provisions for credit losses, particularly credit loss provisions on impaired loans, whereas they had stood at $2 million during the same six-month period of 2018.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2019	2018	% Change	2019	2018	% Change
Total revenues						
Credigy	107	129	(17)	212	246	(14)
ABA Bank	69	45	53	134	88	52
International	2	–		3	1	
	178	174	2	349	335	4
Non-interest expenses						
Credigy	42	39	8	78	78	–
ABA Bank	31	22	41	62	42	48
International	1	1	–	2	2	–
	74	62	19	142	122	16
Contribution	104	112	(7)	207	213	(3)
Provisions for credit losses						
Credigy	12	28	(57)	35	54	(35)
ABA Bank	2	3	(33)	6	6	–
	14	31	(55)	41	60	(32)
Income before income taxes	90	81	11	166	153	8
Income taxes	18	18	–	34	40	(15)
Net income	72	63	14	132	113	17
Non-controlling interests	12	11	9	22	20	10
Net income attributable to the Bank's shareholders	60	52	15	110	93	18
Average assets	10,600	9,104	16	10,523	8,938	18
Average loans and receivables	8,711	7,856	11	8,760	7,778	13
Net impaired loans – Stage 3[(1)]	16	12	33	16	12	33
Purchased or originated credit-impaired (POCI) loans	1,263	1,475	(14)	1,263	1,475	(14)
Average deposits	3,238	1,795	80	2,994	1,661	80
Efficiency ratio	41.6 %	35.6 %		40.7 %	36.4 %	

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

In the U.S. Specialty Finance and International segment, net income totalled $72 million in the second quarter of 2019, a 14% increase from $63 million in the same quarter of 2018. The segment's second-quarter total revenues amounted to $178 million compared to $174 million in the second quarter of 2018. A 53% increase in revenues at the ABA Bank subsidiary, driven by sustained loan and deposit volume growth, was partly offset by lower revenues at the Credigy subsidiary due to the loan portfolio mix when compared to the same quarter of 2018.

For the second quarter of 2019, the segment's non-interest expenses stood at $74 million, a $12 million year-over-year increase attributable mainly to ABA Bank's growing banking network. Second-quarter provisions for credit losses stood at $14 million compared to $31 million in the second quarter of 2018, a decrease stemming essentially from lower credit loss provisions recorded by Credigy given repayments and maturities of certain loan portfolios.

For the six months ended April 30, 2019, the USSF&I segment's net income totalled $132 million compared to $113 million in the same period of 2018. First-half total revenues amounted to $349 million versus $335 million in the same period of 2018, a 4% increase due to the same reasons as those provided for the quarter.

The segment's first-half non-interest expenses stood at $142 million, a $20 million year-over-year increase related to the expansion of ABA Bank's banking network. The first-half non-interest expenses of the Credigy subsidiary remained stable. The segment's provisions for credit losses stood at $41 million during the six-month period ended April 30, 2019, a $19 million year-over-year decrease resulting mainly from lower credit loss provisions recorded by Credigy, whereas the credit loss provisions recorded by ABA Bank remained stable.

The segment's effective tax rate was down in the six-month period ended April 30, 2019 versus the same six-month period in 2018, as the U.S. tax reform resulted in a lower income tax rate for Credigy.

Other

(taxable equivalent basis)[1]

(millions of Canadian dollars)	Quarter ended April 30		Six months ended April 30	
	2019	2018[2]	2019	2018[2]
Operating results				
Net interest income on a taxable equivalent basis	(46)	(31)	(100)	(73)
Non-interest income on a taxable equivalent basis	55	30	104	83
Total revenues on a taxable equivalent basis	9	(1)	4	10
Non-interest expenses	55	49	115	125
Contribution on a taxable equivalent basis	(46)	(50)	(111)	(115)
Provisions for credit losses	–	–	–	–
Income before income taxes on a taxable equivalent basis	(46)	(50)	(111)	(115)
Income taxes (recovery) on a taxable equivalent basis	(20)	(17)	(36)	(34)
Net loss	(26)	(33)	(75)	(81)
Non-controlling interests	7	14	13	28
Net loss attributable to the Bank's shareholders	(33)	(47)	(88)	(109)
Average assets	45,023	42,861	45,924	42,012

(1) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(2) For the quarter and six-month period ended April 30, 2018, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of $26 million in the second quarter of 2019 compared to a net loss of $33 million in the same quarter of 2018. This change in net loss was mainly due to a higher contribution from Treasury activities during the second quarter of 2019. In addition, non-interest expenses were up, in particular those related to technology investments made as part of the Bank's transformation plan and for business development purposes.

For the six-month period ended April 30, 2019, there was a net loss of $75 million compared to a net loss of $81 million in the same six-month period of 2018. This change in net loss was mainly due to a decrease in non-interest expenses, in particular variable compensation and employee benefits.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at April 30, 2019	As at October 31, 2018	% Change
Assets			
Cash and deposits with financial institutions	10,498	12,756	(18)
Securities	78,621	69,783	13
Securities purchased under reverse repurchase agreements and securities borrowed	17,193	18,159	(5)
Loans and acceptances, net of allowances	148,742	146,082	2
Other	14,052	15,691	(10)
	269,106	262,471	3
Liabilities and equity			
Deposits	179,419	170,830	5
Other	74,180	76,539	(3)
Subordinated debt	772	747	3
Equity attributable to the Bank's shareholders	14,342	13,976	3
Non-controlling interests	393	379	4
	269,106	262,471	3

Assets

As at April 30, 2019, the Bank had total assets of $269.1 billion, a $6.6 billion or 3% increase from $262.5 billion as at October 31, 2018. Cash and deposits with financial institutions, totalling $10.5 billion as at April 30, 2019, decreased $2.3 billion or 18%, mainly due to deposits with financial institutions, particularly the U.S. Federal Reserve. Securities rose $8.8 billion since October 31, 2018, essentially due to a $7.7 billion or 14% increase in securities at fair value through profit or loss, which was mostly attributable to a $10.7 billion increase in equity securities and to a $3.2 billion increase in securities issued or guaranteed by Treasury, other U.S. agencies and other foreign governments. These increases were tempered by a $3.1 billion decrease in securities issued or guaranteed by the Canadian government and a $2.6 billion decrease in securities issued or guaranteed by Canadian provincial and municipal governments. Securities other than those measured at fair value through profit or loss were up $1.1 billion. Securities purchased under reverse repurchase agreements and securities borrowed decreased by $1.0 billion, mainly related to Financial Markets operations.

Totalling $148.7 billion as at April 30, 2019, loans and acceptances, net of allowances, rose $2.6 billion since October 31, 2018. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at April 30, 2019	As at October 31, 2018	As at April 30, 2018
Loans and acceptances			
Residential mortgage and home equity lines of credit	**77,052**	75,773	73,042
Personal	**14,299**	15,235	14,987
Credit card	**2,324**	2,325	2,245
Business and government	**55,750**	53,407	50,256
	149,425	146,740	140,530
Allowances for credit losses	**(683)**	(658)	(666)
	148,742	146,082	139,864

Since October 31, 2018, residential mortgage loans (including home equity lines of credit) rose $1.3 billion or 2%, personal loans were down $0.9 billion, credit card receivables remained stable, and loans and acceptances to business and government were up $2.3 billion or 4% owing to growth in Commercial Banking activities. When compared to a year ago, loans and acceptances grew $8.9 billion or 6% and residential mortgages (including home equity lines of credit) were up $4.1 billion or 6% due to sustained demand for mortgage credit and business growth at the ABA Bank subsidiary. Also compared to a year ago, personal loans were down $0.7 billion or 5%, partly due to the Credigy subsidiary's activities, whereas credit card receivables were up 4%, and loans and acceptances to businesses and governments grew $5.5 billion or 11% driven by Commercial Banking and corporate financing activities.

Liabilities

As at April 30, 2019, the Bank had total liabilities of $254.4 billion compared to $248.1 billion as at October 31, 2018.

The Bank's total deposit liability stood at $179.4 billion as at April 30, 2019 compared to $170.8 billion as at October 31, 2018, an $8.6 billion increase arising essentially from growth in personal deposits and business and government deposits. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at April 30, 2019	As at October 31, 2018	As at April 30, 2018
Balance sheet			
Deposits	**58,170**	55,688	53,969
Off-balance-sheet			
Brokerage	**136,641**	123,458	122,827
Mutual funds	**34,407**	31,874	32,911
Other	**452**	440	457
	171,500	155,772	156,195
Total personal savings	**229,670**	211,460	210,164

As at April 30, 2019, personal deposits stood at $58.2 billion, rising $2.5 billion since October 31, 2018. Since April 30, 2018, personal deposits rose 8%, essentially due to the Bank's initiatives to increase this type of deposit as well as to growth at the ABA Bank subsidiary. As at April 30, 2019, total personal savings amounted to $229.7 billion, up from $211.5 billion as at October 31, 2018 and from $210.2 billion as at April 30, 2018. Overall, off-balance-sheet personal savings stood at $171.5 billion as at April 30, 2019, rising $15.3 billion or 10% from a year ago given net inflows in brokerage operations and growth in stock markets.

At $116.1 billion, business and government deposits rose $5.8 billion since October 31, 2018, essentially due to Treasury activities, and include $1.2 billion in deposits subject to bank recapitalization (bail-in) conversion regulations. Other liabilities stood at $74.2 billion as at April 30, 2019, declining 3% since October 31, 2018 due to a $2.4 billion decrease in obligations related to securities sold short.

Equity

As at April 30, 2019, equity attributable to the Bank's shareholders was $14.3 billion, rising $0.3 billion from October 31, 2018. This increase came essentially from net income net of dividends, partly offset by a net change in gains (losses) on cash flow hedges. The repurchases of common shares for cancellation were partly offset by issuances of common shares under the Stock Option Plan and the impact of shares purchased or sold for trading.

Event After the Consolidated Balance Sheet Date

Disposal

On May 9, 2019, through one of its subsidiaries, the Bank disposed of 10,680,000 Class A subordinate voting shares of Fiera Capital Corporation (Fiera Capital) at a per-share price of $12.00 for gross proceeds of $128 million. Before the transaction, the Bank's investment in Fiera Capital stood at 18% and was accounted for using the equity method. After the transaction, the Bank's ownership percentage is now 7%. A gain on disposal of Fiera Capital shares of approximately $75 million ($65 million net of income taxes), including a gain on remeasurement at fair value of the retained interest of $30 million ($26 million net of income taxes) will be recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income. After the transaction, the Bank designated the 7% retained interest as a financial asset measured at fair value through other comprehensive income.

Exposures to Certain Activities

The recommendations made by the Financial Stability Board's Enhanced Disclosure Task Force (EDTF) seek to enhance the transparency and measurement of certain exposures, in particular structured entities, subprime and Alt-A exposures, collateralized debt obligations, residential and commercial mortgage-backed securities, and leveraged financing structures. The Bank does not market any specific mortgage financing program to subprime or Alt-A clients. Alt-A loans are granted to borrowers who cannot provide standard proof of income. The Bank's Alt-A loan volume was $414 million as at April 30, 2019 ($425 million as at October 31, 2018). The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the CMHC. Credit derivative positions are presented in the *Supplementary Regulatory Capital and Pillar 3 Disclosure* report, which is available on the Bank's website at nbc.ca.

Leveraged finance is commonly employed to achieve a specific objective, for example, to make an acquisition, complete a buy-out or repurchase shares. Leveraged finance risk exposure takes the form of both funded and unfunded commitments. As at April 30, 2019, total commitments for this type of loan stood at $3,725 million ($2,967 million as at October 31, 2018). Details about other exposures are provided in the table on structured entities in Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2018.

Related Party Transactions

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

Securitization and Off-Balance-Sheet Arrangements

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

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

Income Taxes

In March 2019, the Bank received a written proposal (the Proposal) from the Canada Revenue Agency (CRA) proposing to reassess the Bank for additional income tax and interest of approximately $131 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2014.

The Bank was previously reassessed in 2018 and 2017 for additional income tax and interest (including provincial tax and interest) of approximately $130 million and $77 million, respectively, in respect of certain Canadian dividends received by the Bank during the 2013 and 2012 taxation years.

The transactions to which the Proposal and 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 Proposal and reassessments described above. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements as at April 30, 2019.

Contingent Liabilities

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

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

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

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

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

Capital Management

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

Basel Accord
The Bank and all other major Canadian banks must maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5%, and a Total capital ratio of at least 11.5%. All of these ratios are to include a capital conservation buffer of 2.5% (set by the Basel Committee on Banking Supervision and OSFI) and a 1% surcharge (set by OSFI) applicable to Domestic Systemically Important Banks (D-SIBs). The banks also have to meet the revised capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. In addition, during the year ended October 31, 2018, OSFI introduced a domestic stability buffer (the buffer) applicable to D-SIBs. The buffer level varies between 0% and 2.5% of risk-weighted assets and stood at 1.75% as at April 30, 2019. A D-SIB that fails to meet the buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. OSFI has also been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

In addition to those measures, OSFI is requiring that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. Instruments issued before January 1, 2013 that would be Basel III compliant if not for the absence of the NVCC clause are grandfathered and will be phased out over a period of ten years. The Bank expects to phase out all of its non-NVCC instruments without resorting to any regulatory event redemption clause.

OSFI's *Total Loss Absorbing Capacity* (TLAC) guideline, which applies to all D-SIBs under the federal government's bail-in regulations, came into effect on September 23, 2018. The purpose of the TLAC guideline is to ensure that a D-SIB has sufficient loss absorbing capacity to support its recapitalization in the unlikely event it becomes non-viable. OSFI is requiring D-SIBs to maintain a minimum risk-based TLAC ratio of 23.25% (including the domestic stability buffer) of risk-weighted assets and a minimum TLAC leverage ratio of 6.75% by November 1, 2021. During the quarter ended April 30, 2019, the Bank started to issue qualifying bail-in debt and expects its TLAC ratios to improve through the normal refinancing of its maturing unsecured term debt. The Bank does not anticipate any challenges in meeting these TLAC requirements.

Requirements – Regulatory Ratios Under Basel III

							As at April 30, 2019
	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	Minimum set by OSFI[1]	Domestic stability buffer	Minimum set by OSFI[1], including the buffer
Capital ratios							
CET1	4.5 %	2.5 %	7.0 %	1.0 %	8.0 %	1.75 %	9.75 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	9.5 %	1.75 %	11.25 %
Total	8.0 %	2.5 %	10.5 %	1.0 %	11.5 %	1.75 %	13.25 %
Leverage ratio	3.0 %	n.a.	n.a.	n.a.	3.0 %	n.a.	3.0 %

n.a. Not applicable
(1) The capital ratios include the capital conservation buffer and the D-SIB surcharge.

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

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

Regulatory Developments

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

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

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

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

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

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

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

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

Management Activities

During the six-month period ended April 30, 2019, the Bank repurchased 2,047,200 common shares for $122 million, which reduced *Common share* capital by $17 million and *Retained earnings* by $105 million. This repurchase was part of the normal course issuer bid to repurchase for cancellation program that the Bank launched on June 6, 2018.

Shares and Stock Options

	As at April 30, 2019	
	Number of shares	**$ million**
First preferred shares		
Series 30	14,000,000	350
Series 32	12,000,000	300
Series 34	16,000,000	400
Series 36	16,000,000	400
Series 38	16,000,000	400
Series 40	12,000,000	300
Series 42	12,000,000	300
	98,000,000	2,450
Common shares	335,116,246	2,901
Stock options	13,728,085	

As at May 24, 2019, there were 335,191,028 common shares and 13,625,859 stock options outstanding. NVCC provisions require the conversion of capital instruments into a variable number of common shares should OSFI deem a bank to be non-viable or should the government publicly announce that a bank has accepted or agreed to accept an injection of capital. If an NVCC trigger event were to occur, all of the Bank's preferred shares and medium-term notes maturing on February 1, 2028, which are NVCC capital instruments, would be converted into common shares of the Bank according to an automatic conversion formula at a conversion price corresponding to the greater of the following amounts: (i) a $5.00 contractual floor price; or (ii) the market price of the Bank's common shares on the date of the trigger event (10-day weighted average price). Based on a $5.00 floor price and including an estimate for accrued dividends and interest, these NVCC capital instruments would be converted into a maximum of 722,552,000 Bank common shares, which would have a 68.3% dilutive effect based on the number of Bank common shares outstanding as at April 30, 2019.

Movement in Regulatory Capital

(millions of Canadian dollars)	Six months ended April 30, 2019
Common Equity Tier 1 (CET1) capital	
Balance at beginning	8,608
Issuance of common shares (including Stock Option Plan)	44
Impact of shares purchased or sold for trading	45
Repurchase of common shares	(122)
Other contributed surplus	2
Dividends on preferred and common shares	(494)
Net income attributable to the Bank's shareholders	1,075
Common share capital issued by subsidiaries and held by third parties	5
Removal of own credit spread (net of income taxes)	3
Impact of adopting IFRS 15 on November 1, 2018	(4)
Other	(55)
Movements in accumulated other comprehensive income	
Translation adjustments	27
Debt securities at fair value through other comprehensive income	1
Other	4
Change in goodwill and intangible assets (net of related tax liability)	(60)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	4
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments[1]	9
Balance at end	9,092
Additional Tier 1 capital	
Balance at beginning	2,802
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	2
Balance at end	2,804
Total Tier 1 capital	11,896
Tier 2 capital	
Balance at beginning	942
New Tier 2 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Tier 2 subject to phase-out	–
Tier 2 instruments issued by subsidiaries and held by third parties	1
Change in certain allowances for credit losses	6
Other, including regulatory adjustments and transitional arrangements	(55)
Balance at end	894
Total regulatory capital	12,790

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

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) amounted to $79.0 billion as at April 30, 2019 compared to $73.7 billion as at October 31, 2018, a $5.3 billion increase resulting mainly from organic growth in RWA and from a change in the method used to measure the counterparty credit risk (SA-CCR). The changes in the Bank's risk-weighted assets by risk type are presented in the following table.

Risk-Weighted Assets Movements by Key Drivers

(millions of Canadian dollars)					Quarter ended
			April 30, 2019	January 31, 2019	October 31, 2018
	Non-counterparty credit risk	Counterparty credit risk	Total	Total	Total
Credit risk – Risk-weighted assets at beginning	**56,699**	**5,463**	**62,162**	59,476	57,974
Book size	**729**	**860**	**1,589**	1,273	1,629
Book quality	**49**	**7**	**56**	(198)	(203)
Model updates	**30**	**3**	**33**	1,634	(72)
Methodology and policy	**–**	**–**	**–**	–	–
Acquisitions and disposals	**–**	**–**	**–**	–	–
Foreign exchange movements	**232**	**52**	**284**	(23)	148
Credit risk – Risk-weighted assets at end	**57,739**	**6,385**	**64,124**	62,162	59,476
Market risk – Risk-weighted assets at beginning			**3,964**	3,435	4,755
Movement in risk levels(1)			**(176)**	529	(406)
Model updates			**–**	–	(914)
Methodology and policy			**–**	–	–
Acquisitions and disposals			**–**	–	–
Market risk – Risk-weighted assets at end			**3,788**	3,964	3,435
Operational risk – Risk-weighted assets at beginning			**10,910**	10,743	10,539
Movement in risk levels			**186**	167	204
Acquisitions and disposals			**–**	–	–
Operational risk – Risk-weighted assets at end			**11,096**	10,910	10,743
Risk-weighted assets at end			**79,008**	77,036	73,654

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

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

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

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

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

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

Regulatory Capital Ratios

As at April 30, 2019, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.5%, 15.1% and 16.2%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.7%, 15.5% and 16.8% as at October 31, 2018. The decrease in the CET1 capital ratio came essentially from the application of the SA-CCR rules for measuring counterparty credit risk. Net income net of dividends and common share issuances under the Stock Option Plan more than offset growth in risk-weighted assets, the common share repurchases during the six-month period ended April 30, 2019, and remeasurements of pension plans and other post-employment benefit plans. The decreases in the Tier 1 capital ratio and the Total capital ratio were essentially due to the same factors. As at April 30, 2019, the leverage ratio was 4.0%, stable compared to October 31, 2018.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	As at April 30, 2019	As at October 31, 2018
Capital		
CET1	9,092	8,608
Tier 1	11,896	11,410
Total	12,790	12,352
Risk-weighted assets		
CET1 capital	79,008	73,654
Tier 1 capital	79,008	73,670
Total capital	79,008	73,685
Total exposure	296,118	284,337
Capital ratios		
CET1	11.5 %	11.7 %
Tier 1	15.1 %	15.5 %
Total	16.2 %	16.8 %
Leverage ratio	4.0 %	4.0 %

Dividends

On May 29, 2019, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 68 cents per common share, up 3 cents or 4.6%, payable on August 1, 2019 to shareholders of record on June 25, 2019.

Risk Management

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

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

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

Credit Risk

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

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

Maximum Credit Risk Exposure Under the Basel Asset Categories

(millions of Canadian dollars)						As at April 30, 2019	As at October 31, 2018
	Drawn	Undrawn commitments	Repo-style transactions[1]	Derivatives[2]	Other off-balance-sheet items[3]	Total	Total
Retail							
Residential mortgages	47,063	8,544	–	–	–	55,607	54,213
Qualifying revolving retail	2,581	2,692	–	–	–	5,273	6,276
Other retail	14,623	1,554	–	–	14	16,191	17,064
	64,267	12,790	–	–	14	77,071	77,553
Non-retail							
Corporate	53,979	19,109	15,155	6	4,382	92,631	88,527
Sovereign	25,509	5,218	33,663	201	153	64,744	73,915
Financial institutions	3,058	427	80,972	1,562	620	86,639	85,109
	82,546	24,754	129,790	1,769	5,155	244,014	247,551
Trading portfolio	–	–	–	11,359	–	11,359	9,620
Securitization	1,402	–	–	–	3,595	4,997	4,746
Total – Gross credit risk	148,215	37,544	129,790	13,128	8,764	337,441	339,470
Standardized Approach	14,293	117	18,780	1,438	217	34,845	32,303
AIRB Approach	133,922	37,427	111,010	11,690	8,547	302,596	307,167
Total – Gross credit risk	148,215	37,544	129,790	13,128	8,764	337,441	339,470

(1) Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.
(2) Exposure presented using the SA-CCR method since the first quarter of 2019.
(3) Letters of guarantee, documentary letters of credit and securitized assets that represent the Bank's commitment to make payments in the event that a client cannot meet its financial obligations to third parties.

To meet OSFI's mortgage loan disclosure requirements, additional information has been provided in *Supplementary Financial Information – Second Quarter 2019* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – Second Quarter 2019,* which are available on the Bank's website at nbc.ca.

Market Risk

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

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

Reconciliation of Market Risk With Consolidated Balance Sheet Items

(millions of Canadian dollars)					As at April 30, 2019
		Market risk measures			
	Balance sheet	Trading[1]	Non-Trading[2]	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	10,498	232	9,980	286	Interest rate[3]
Securities					
At fair value through profit or loss	63,474	59,768	3,706	–	Interest rate[3] and equity
At fair value through other comprehensive income	6,633	–	6,633	–	Interest rate[3] and equity[4]
At amortized cost	8,514	–	8,514	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	17,193	–	17,193	–	Interest rate[3][5]
Loans and acceptances, net of allowances	148,742	5,530	143,212	–	Interest rate[3]
Derivative financial instruments	7,274	6,617	657	–	Interest rate and exchange rate
Defined benefit asset	48	–	48	–	Other
Other	6,730	–	–	6,730	
	269,106	72,147	189,943	7,016	
Liabilities					
Deposits	179,419	9,564	169,855	–	Interest rate[3]
Acceptances	6,854	–	6,854	–	Interest rate[3]
Obligations related to securities sold short	15,394	15,394	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	20,378	–	20,378	–	Interest rate[3][5]
Derivative financial instruments	5,481	4,890	591	–	Interest rate and exchange rate
Liabilities related to transferred receivables	20,236	4,208	16,028	–	Interest rate[3]
Defined benefit liability	241	–	241	–	Other
Other	5,596	24	911	4,661	Interest rate[3]
Subordinated debt	772	–	772	–	Interest rate[3]
	254,371	34,080	215,630	4,661	

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

(millions of Canadian dollars)					As at October 31, 2018
		Market risk measures			
	Balance sheet	Trading(1)	Non-Trading(2)	Not subject to market risk	Non-traded risk primary risk sensitivity
Assets					
Cash and deposits with financial institutions	12,756	226	12,269	261	Interest rate(3)
Securities					
At fair value through profit or loss	55,817	51,575	4,242	–	Interest rate(3) and equity(4)
At fair value through other comprehensive income	5,668	–	5,668	–	Interest rate(3) and equity(5)
Amortized cost	8,298	–	8,298	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	18,159	–	18,159	–	Interest rate(3)(6)
Loans and acceptances, net of allowances	146,082	5,417	140,665	–	Interest rate(3)
Derivative financial instruments	8,608	7,625	983	–	Interest rate(7) and exchange rate(7)
Defined benefit asset	64	–	64	–	Other(8)
Other	7,019	–	–	7,019	
	262,471	64,843	190,348	7,280	
Liabilities					
Deposits	170,830	7,187	163,643	–	Interest rate(3)
Acceptances	6,801	–	6,801	–	Interest rate(3)
Obligations related to securities sold short	17,780	17,780	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	19,998	–	19,998	–	Interest rate(3)(6)
Derivative financial instruments	6,036	4,807	1,229	–	Interest rate(7) and exchange rate(7)
Liabilities related to transferred receivables	20,100	3,733	16,367	–	Interest rate(3)
Defined benefit liability	186	–	186	–	Other(8)
Other	5,638	21	910	4,707	Interest rate(3)
Subordinated debt	747	–	747	–	Interest rate(3)
	248,116	33,528	209,881	4,707	

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

Trading Activities

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

VaR of Trading Portfolios by Risk Category(1)

(millions of Canadian dollars)							Quarter ended		Six months ended	
				April 30, 2019	January 31, 2019		April 30, 2018		**April 30, 2019**	April 30, 2018
	Low	**High**	**Average**	**Period end**	Average	Period end	Average	Period end	**Average**	Average
Interest rate	**(4.0)**	**(6.4)**	**(5.1)**	**(4.4)**	(5.7)	(5.4)	(4.2)	(3.9)	**(5.4)**	(4.0)
Exchange rate	**(0.5)**	**(1.0)**	**(0.8)**	**(0.6)**	(0.9)	(0.9)	(1.0)	(1.2)	**(0.8)**	(0.9)
Equity	**(3.1)**	**(5.2)**	**(4.0)**	**(3.1)**	(4.5)	(3.6)	(2.9)	(3.9)	**(4.2)**	(2.7)
Commodity	**(0.5)**	**(1.5)**	**(1.0)**	**(1.1)**	(1.2)	(1.3)	(1.1)	(1.1)	**(1.1)**	(0.9)
Correlation effect(2)	**n.m.**	**n.m.**	**5.2**	**4.9**	5.9	5.8	4.1	3.7	**5.4**	4.0
Total trading VaR	**(4.3)**	**(7.7)**	**(5.7)**	**(4.3)**	(6.4)	(5.4)	(5.1)	(6.4)	**(6.1)**	(4.5)

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

SVaR of Trading Portfolios by Risk Category[1]

(millions of Canadian dollars)								Quarter ended	Six months ended	
				April 30, 2019	January 31, 2019		April 30, 2018		April 30, 2019	April 30, 2018
	Low	High	Average	Period end	Average	Period end	Average	Period end	Average	Average
Interest rate	**(12.9)**	**(18.6)**	**(15.5)**	**(15.2)**	(14.4)	(14.2)	(12.0)	(14.9)	**(14.9)**	(11.3)
Exchange rate	**(0.7)**	**(1.6)**	**(1.1)**	**(0.9)**	(1.5)	(1.2)	(1.0)	(1.4)	**(1.3)**	(1.0)
Equity	**(4.6)**	**(9.1)**	**(6.1)**	**(5.3)**	(8.3)	(7.0)	(2.9)	(3.5)	**(7.2)**	(2.6)
Commodity	**(1.4)**	**(3.2)**	**(2.0)**	**(2.3)**	(2.3)	(1.5)	(2.0)	(2.4)	**(2.2)**	(1.4)
Correlation effect[2]	**n.m.**	**n.m.**	**12.3**	**12.3**	14.6	11.2	6.9	8.5	**13.4**	7.3
Total trading SVaR	**(10.0)**	**(17.0)**	**(12.4)**	**(11.4)**	(11.9)	(12.7)	(11.0)	(13.7)	**(12.2)**	(9.0)

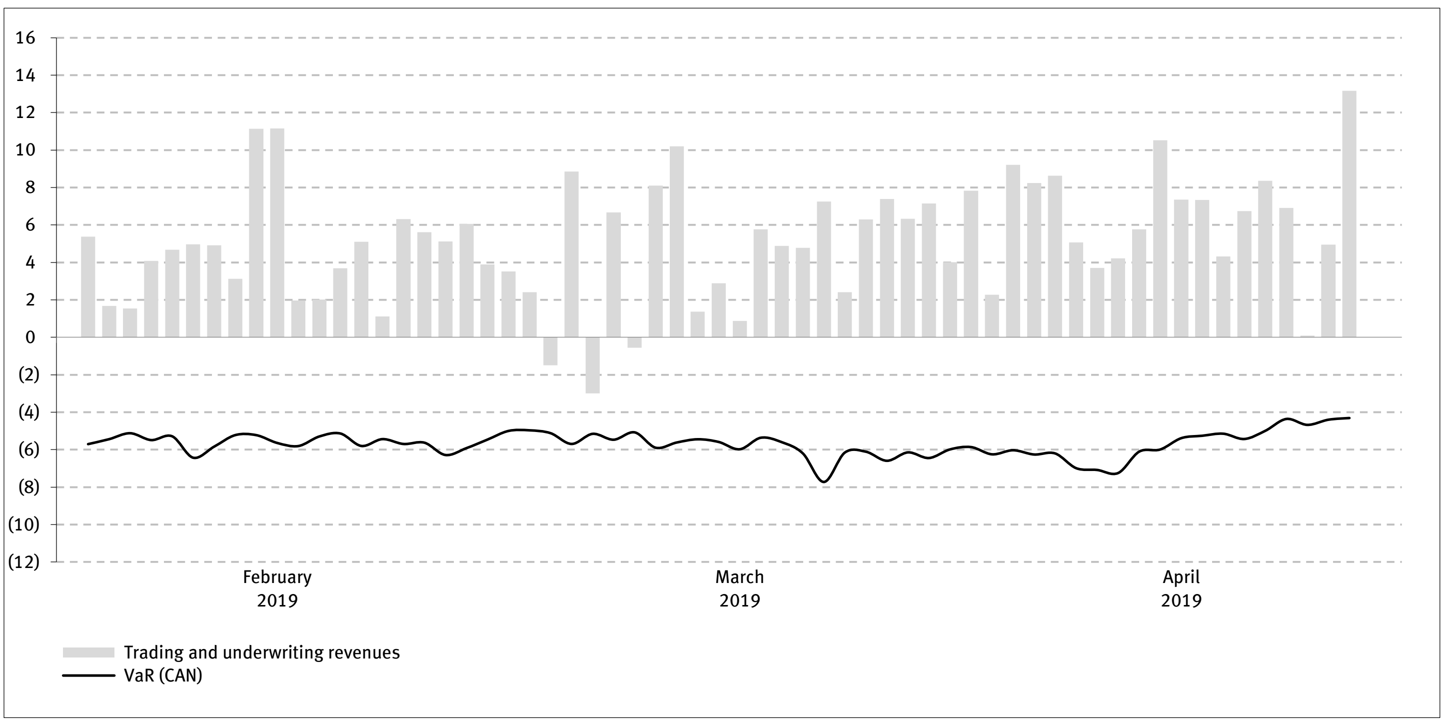
n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.
(2) The total trading SVaR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

The average trading VaR decreased from $6.4 million to $5.7 million between the first and second quarter of 2019 as a result of some tail scenarios moving out of the two-year VaR history window. In addition, the average trading SVaR increased from $11.9 million to $12.4 million during the second quarter of 2019, mostly explained by an increase in interest rate risk.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. Daily trading and underwriting revenues were positive 95% of the days for the quarter ended April 30, 2019. Two trading days were marked by daily trading and underwriting net losses of more than $1 million. These losses did not exceed the VaR.

Quarter Ended April 30, 2019
(millions of Canadian dollars)



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

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

(millions of Canadian dollars)			**As at April 30, 2019**			
			Impact on equity			**Impact on net interest income**
	Canadian dollar	**Other currencies**	**Total**	**Canadian dollar**	**Other currencies**	**Total**
100-basis-point increase in the interest rate	**(145)**	**(1)**	**(146)**	**39**	**7**	**46**
100-basis-point decrease in the interest rate	**154**	**28**	**182**	**21**	**22**	**43**

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

Liquidity Risk

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

Regulatory Developments

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

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

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

Liquid Assets

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

Liquid Asset Portfolio

(millions of Canadian dollars)					As at April 30, 2019	As at October 31, 2018
	Bank-owned liquid assets(1)	Liquid assets received(2)	Total liquid assets	Encumbered liquid assets(3)	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	10,498	–	10,498	3,330	7,168	10,287
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	24,340	18,243	42,583	22,589	19,994	20,825
Issued or guaranteed by Canadian provincial and municipal governments	11,659	6,674	18,333	12,298	6,035	6,540
Other debt securities	4,968	2,418	7,386	3,172	4,214	5,398
Equity securities	37,654	30,436	68,090	40,968	27,122	16,611
Loans						
Securities backed by insured residential mortgages	7,319	–	7,319	4,109	3,210	3,286
As at April 30, 2019	96,438	57,771	154,209	86,466	67,743	
As at October 31, 2018	91,640	57,483	149,123	86,176		62,947

(millions of Canadian dollars)	As at April 30, 2019	As at October 31, 2018
Unencumbered liquid assets by entity		
National Bank (parent)	26,926	30,205
Domestic subsidiaries	13,248	11,543
Foreign subsidiaries and branches	27,569	21,199
	67,743	62,947

(millions of Canadian dollars)	As at April 30, 2019	As at October 31, 2018
Unencumbered liquid assets by currency		
Canadian dollar	36,739	35,838
U.S. dollar	17,534	22,663
Other currencies	13,470	4,446
	67,743	62,947

Liquid Asset Portfolio – Average(4)

(millions of Canadian dollars)					Quarter ended April 30, 2019
	Bank-owned liquid assets(1)	Liquid assets received(2)	Total liquid assets	Encumbered liquid assets(3)	Unencumbered liquid assets
Cash and deposits with financial institutions	11,705	–	11,705	2,896	8,809
Securities					
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	27,308	21,487	48,795	26,746	22,049
Issued or guaranteed by Canadian provincial and municipal governments	11,120	7,679	18,799	14,966	3,833
Other debt securities	5,320	2,681	8,001	3,416	4,585
Equity securities	36,102	30,555	66,657	41,760	24,897
Loans					
Securities backed by insured residential mortgages	7,789	–	7,789	4,576	3,213
	99,344	62,402	161,746	94,360	67,386

(1) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
(2) Securities received as collateral with respect to securities financing and derivative transactions and securities purchased under reverse repurchase agreements and securities borrowed.
(3) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered liquid assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities and liquid assets legally restricted from transfers.
(4) The average is based on the sum of the end-of-period balances of the three months of the quarter divided by three.

Summary of Encumbered and Unencumbered Assets

(millions of Canadian dollars)						As at April 30, 2019
		Encumbered assets[1]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[2]	Available as collateral	Other[3]		
Cash and deposits with financial institutions	101	3,229	7,168	–	10,498	1.2
Securities	23,055	–	55,566	–	78,621	8.6
Securities purchased under reverse repurchase agreements and securities borrowed	–	15,394	1,799	–	17,193	5.7
Loans and acceptances, net of allowances	29,564	–	3,210	115,968	148,742	11.0
Derivative financial instruments	–	–	–	7,274	7,274	–
Investments in associates and joint ventures	–	–	–	655	655	–
Premises and equipment	–	–	–	609	609	–
Goodwill	–	–	–	1,415	1,415	–
Intangible assets	–	–	–	1,373	1,373	–
Other assets	–	–	–	2,726	2,726	–
	52,720	18,623	67,743	130,020	269,106	26.5

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

(1) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities, residential mortgage loans securitized and transferred under the Canada Mortgage Bond program, assets held in consolidated trusts supporting the Bank's funding activities and mortgage loans transferred under the covered bond program.

(2) Other encumbered assets include assets for which there are restrictions and that cannot therefore be used for collateral or funding purposes as well as assets used to cover short sales.

(3) Other unencumbered assets are assets that cannot be used for collateral or funding purposes in their current form. This category includes assets that are potentially eligible as funding program collateral (for example, mortgages insured by the Canada Mortgage and Housing Corporation that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

Liquidity Coverage Ratio (LCR)

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

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended April 30, 2019, the Bank's average LCR was 141%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements(1)

(millions of Canadian dollars)

			For the quarter ended
		April 30, 2019	January 31, 2019
	Total unweighted value(2) (average)	Total weighted value(3) (average)	Total weighted value(3) (average)
High-quality liquid assets (HQLA)			
1 Total HQLA	n.a.	46,451	48,894
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	40,067	2,850	2,863
3 Stable deposits	18,454	580	574
4 Less stable deposits	21,613	2,270	2,289
5 Unsecured wholesale funding, of which:	60,716	37,201	34,163
6 Operational deposits (all counterparties)	10,553	2,712	2,836
7 Non-operational deposits (all counterparties)	43,230	26,583	24,149
8 Unsecured debt	6,933	7,906	7,178
9 Secured wholesale funding	n.a.	13,467	16,648
10 Additional requirements, of which:	32,448	8,936	9,597
11 Outflows related to derivative exposures and other collateral requirements	7,946	4,084	4,118
12 Outflows related to loss of funding on secured debt securities	1,243	781	1,502
13 Backstop liquidity and credit enhancement facilities and commitments to extend credit	23,259	4,071	3,977
14 Other contractual commitments to extend credit	2,356	632	725
15 Other contingent commitments to extend credit	86,639	1,424	1,408
16 Total cash outflows	n.a.	64,510	65,404
Cash inflows			
17 Secured lending (e.g., reverse repos)	99,258	16,210	16,383
18 Inflows from fully performing exposures	7,992	5,258	5,030
19 Other cash inflows	8,836	10,123	8,691
20 Total cash inflows	116,086	31,591	30,104
		Total adjusted value(4)	Total adjusted value(4)
21 Total HQLA	n.a.	46,451	48,894
22 Total net cash outflows	n.a.	32,919	35,300
23 Liquidity coverage ratio (%)(5)	n.a.	141 %	139 %

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

As at April 30, 2019, Level 1 liquid assets represent 79% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian government and Canadian provincial governments.

Cash outflows arise from the application of OSFI-prescribed assumptions on deposits, debt, secured funding, commitments and additional collateral requirements. The cash outflows are partly offset by cash inflows, which come mainly from secured loans and performing loans. The Bank expects some quarter-over-quarter variation between reported LCRs, and such variation may not be indicative of a trend. The variation between the quarter ended April 30, 2019 and the preceding quarter was a result of normal business activities. The Bank's liquid asset buffer is well in excess of its total net cash outflows.

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

Funding Risk

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

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

Residual Contractual Maturities of Wholesale Funding[1]

(millions of Canadian dollars)								As at April 30, 2019
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Subtotal 1 year or less	Over 1 year to 2 years	Over 2 years	Total
Deposits from banks[2]	777	7	5	8	797	–	–	797
Certificates of deposit and commercial paper[3]	2,625	1,319	5,169	1,290	10,403	–	–	10,403
Senior unsecured medium-term notes[4]	442	1,166	1,001	2,546	5,155	4,673	3,506	13,334
Senior unsecured structured notes	–	134	201	697	1,032	264	4,194	5,490
Covered bonds and asset-backed securities								
Mortgage securitization	–	1,054	532	2,062	3,648	2,644	13,944	20,236
Covered bonds	–	–	–	–	–	1,914	6,425	8,339
Securitization of credit card receivables	–	–	–	874	874	–	37	911
Subordinated liabilities[5]	–	–	–	–	–	–	772	772
	3,844	3,680	6,908	7,477	21,909	9,495	28,878	60,282
Secured funding	–	1,054	532	2,936	4,522	4,558	20,406	29,486
Unsecured funding	3,844	2,626	6,376	4,541	17,387	4,937	8,472	30,796
	3,844	3,680	6,908	7,477	21,909	9,495	28,878	60,282
As at October 31, 2018	1,944	7,261	4,339	5,143	18,687	9,856	28,950	57,493

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

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

(millions of Canadian dollars)		As at April 30, 2019
	One-notch downgrade	Three-notch downgrade
Derivatives[1]	26	38

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

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

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at April 30, 2019 with comparative figures as at October 31, 2018. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk or its liquidity risk and funding needs. The Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows.

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

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

(millions of Canadian dollars)										As at April 30, 2019
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	7,328	753	28	6	66	10	–	–	2,307	10,498
Securities										
At fair value through profit or loss	2,109	1,891	658	560	822	3,908	9,980	6,286	37,260	63,474
At fair value through other comprehensive income	44	18	71	50	41	217	3,598	2,358	236	6,633
At amortized cost	–	11	787	83	235	1,360	5,468	570	–	8,514
	2,153	1,920	1,516	693	1,098	5,485	19,046	9,214	37,496	78,621
Securities purchased under reverse repurchase agreements and securities borrowed	4,582	1,347	1,806	89	–	2,114	–	–	7,255	17,193
Loans(1)										
Residential mortgage	855	1,671	2,040	2,105	2,105	10,265	32,081	2,658	833	54,613
Personal	323	574	726	840	774	3,612	10,804	3,194	15,891	36,738
Credit card									2,324	2,324
Business and government	8,182	2,918	2,328	2,382	3,170	4,446	13,907	2,497	9,066	48,896
Customers' liability under acceptances	5,278	1,480	96	–	–	–	–	–	–	6,854
Allowances for credit losses									(683)	(683)
	14,638	6,643	5,190	5,327	6,049	18,323	56,792	8,349	27,431	148,742
Other										
Derivative financial instruments	376	565	303	532	285	728	1,845	2,640	–	7,274
Investments in associates and joint ventures									655	655
Premises and equipment									609	609
Goodwill									1,415	1,415
Intangible assets									1,373	1,373
Other assets(1)	517	79	79	124	158	117	9	138	1,505	2,726
	893	644	382	656	443	845	1,854	2,778	5,557	14,052
	29,594	11,307	8,922	6,771	7,656	26,777	77,692	20,341	80,046	269,106

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

(millions of Canadian dollars)										As at April 30, 2019
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits(1)(2)										
Personal	1,416	1,890	2,904	2,455	2,841	7,086	7,621	2,588	29,369	58,170
Business and government	19,255	4,900	7,159	3,463	3,272	7,972	9,699	6,218	54,176	116,114
Deposit-taking institutions	1,125	32	441	28	40	–	–	50	3,419	5,135
	21,796	6,822	10,504	5,946	6,153	15,058	17,320	8,856	86,964	179,419
Other										
Acceptances	5,278	1,480	96	–	–	–	–	–	–	6,854
Obligations related to securities sold short(3)	494	301	46	136	80	1,538	4,185	5,430	3,184	15,394
Obligations related to securities sold under repurchase agreements and securities loaned	4,079	1,315	6,322	2,902	–	–	–	–	5,760	20,378
Derivative financial instruments	435	475	231	400	227	731	1,460	1,522	–	5,481
Liabilities related to transferred receivables(4)	–	1,054	532	1,046	1,016	2,644	10,376	3,568	–	20,236
Securitization – Credit card(5)	–	–	–	–	874	–	37	–	–	911
Other liabilities – Other items(1)(5)	918	33	20	109	71	44	78	343	3,310	4,926
	11,204	4,658	7,247	4,593	2,268	4,957	16,136	10,863	12,254	74,180
Subordinated debt	–	–	–	–	–	–	–	772	–	772
Equity									14,735	14,735
	33,000	11,480	17,751	10,539	8,421	20,015	33,456	20,491	113,953	269,106
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	312	856	770	2,208	461	316	16	–	–	4,939
Credit card receivables(6)									7,747	7,747
Backstop liquidity and credit enhancement facilities(7)	15	–	–	15	2,431	–	–	–	2,444	4,905
Commitments to extend credit(8)	2,161	4,281	4,645	6,034	3,448	3,388	9,150	372	27,082	60,561
Lease commitments and other contracts	31	35	52	50	64	229	426	324	–	1,211

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
(2) The *Deposits* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(3) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(4) These amounts mainly include liabilities related to the securitization of mortgage loans.
(5) The *Other liabilities* item is presented in greater detail than it is on the Consolidated Balance Sheet.
(6) These amounts are unconditionally revocable at the Bank's discretion at any time.
(7) In the event of payment on one of the backstop liquidity facilities, the Bank will receive as collateral government bonds in an amount up to $2.4 billion.
(8) These amounts include $44.5 billion that is unconditionally revocable at the Bank's discretion at any time.

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

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

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

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

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

Risk Disclosures

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

				Pages
		2018 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital and Pillar 3 Disclosure(1)
General				
1	Location of risk disclosures	8	36	
	Management's Discussion and Analysis	43 to 87, 98, 101 and 102	17 to 35	
	Consolidated Financial Statements	Notes 1, 8, 17, 24 and 30	Notes 7 and 13	
	Supplementary Regulatory Capital Disclosure			5 to 46
2	Risk terminology and risk measures	52 to 87		
3	Top and emerging risks	52 and 53		
4	New key regulatory ratios	44 to 47, 74, 75 and 80	17 to 19, 27, 30 and 67	
Risk governance and risk management				
5	Risk management organization, processes and key functions	56 to 69, 75 to 77		
6	Risk management culture	56 and 57		
7	Key risks by business segment, risk management and risk appetite	51, 56 and 57		
8	Stress testing	43, 57, 64 and 73 to 77		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	44 to 47	17 to 19	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 13, 16 and 17
11	Movements in regulatory capital	49	20	
12	Capital planning	43 to 51		
13	RWA by business segment and by risk type	51		6
14	Capital requirements by risk and RWA calculation method	61 to 64		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	50	21	6
17	Assessment of credit risk model performance	60, 63, 64 and 71		33
Liquidity				
18	Liquidity management and components of the liquidity buffer	75 to 81	27 to 31	
Funding				
19	Summary of encumbered and unencumbered assets	78 and 79	29	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	202 to 206	32 to 35	
21	Funding strategy and funding sources	81 to 83	31	
Market risk				
22	Linkage of market risk measures to balance sheet	69 and 70	24 and 25	
23	Market risk factors	68, 71 to 74, 190 to 192	25 to 27	
24	VaR: Assumptions, limitations and validation procedures	71 to 73		
25	Stress tests, stressed VaR and backtesting	71 to 74		
Credit risk				
26	Credit risk exposures	67 and 152 to 163	23 and 54 to 63	18 to 39 and 18 to 26(2)
27	Policies for identifying impaired loans	65 and 120 to 123		
28	Movements in impaired loans and allowances for credit losses	98, 101, 102 and 152 to 163	54 to 63	23 to 25(2)
29	Counterparty credit risk relating to derivatives transactions	65, 66 and 171 to 174		35 to 42 and 27 and 28(2)
30	Credit risk mitigation	64 to 66 and 149		20, 24, 25 and 40 to 46
Other risks				
31	Other risks: Governance, measurement and management	54, 55 and 84 to 87		
32	Publicly known risk events	84	No risk event	

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

Accounting Policies and Financial Disclosure

Accounting Policies and Critical Accounting Estimates

The Bank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). None of the OSFI accounting requirements are exceptions to IFRS. The unaudited interim condensed consolidated financial statements for the quarter and six-month period ended April 30, 2019 were prepared in accordance with IAS 34 – *Interim Financial Reporting* and using the same accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2018, except for the changes described in Note 2 to the interim condensed consolidated financial statements, which have been applied since November 1, 2018 following the Bank's adoption of IFRS 15 – *Revenue From Contracts With Customers.*

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

Future Accounting Policy Changes

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

IFRS 16 – *Leases*
The Bank has chosen to apply IFRS 16 using the modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of *Retained earnings* as at November 1, 2019, the date of initial application, with no restatement of comparative periods. The Bank is continuing to assess this standard's impact on its consolidated financial statements, is updating its lease administration system, and is developing the new internal controls and processes needed to apply IFRS 16.

Financial Disclosure

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

Quarterly Financial Information

(millions of Canadian dollars, except per share amounts)	2019		2018				2017		2018	2017
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Total	Total
Total revenues	**1,770**	1,799	1,814	1,792	1,754	1,806	1,704	1,675	7,166	6,609
Net income	**558**	552	566	569	547	550	525	518	2,232	2,024
Earnings per share ($)										
Basic	**1.52**	1.51	1.53	1.54	1.46	1.48	1.40	1.39	6.01	5.44
Diluted	**1.51**	1.50	1.52	1.52	1.44	1.46	1.39	1.37	5.94	5.38
Dividends per common share ($)	**0.65**	0.65	0.62	0.62	0.60	0.60	0.58	0.58	2.44	2.28
Return on common shareholders' equity (%)	**17.8**	17.2	17.8	18.4	18.6	18.7	17.8	18.2	18.4	18.1
Total assets	**269,106**	263,355	262,471	257,637	256,259	251,065	245,827	240,072		
Net impaired loans[(1)] under IFRS 9	**379**	373	404	413	382	371				
Net impaired loans under IAS 39							206	240		
Per common share ($)										
Book value	**35.49**	34.85	34.40	33.91	32.64	31.75	31.51	30.84		
Share price										
High	**63.82**	61.80	65.63	64.29	64.08	65.35	62.74	56.44		
Low	**60.31**	54.97	58.93	61.26	58.69	62.33	55.29	51.77		

(1) Given the adoption of IFRS 9, all loans classified in Stage 3 of the expected credit loss model are impaired loans; the net impaired loans presented in this table exclude POCI loans. Under IAS 39, loans were considered impaired according to different criteria. Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

Interim Condensed Consolidated Financial Statements

(unaudited)

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at April 30, 2019	As at October 31, 2018
Assets		
Cash and deposits with financial institutions	10,498	12,756
Securities (Notes 4, 5 and 6)		
At fair value through profit or loss	63,474	55,817
At fair value through other comprehensive income	6,633	5,668
At amortized cost	8,514	8,298
	78,621	69,783
Securities purchased under reverse repurchase agreements and securities borrowed	17,193	18,159
Loans (Note 7)		
Residential mortgage	54,613	53,651
Personal	36,738	37,357
Credit card	2,324	2,325
Business and government	48,896	46,606
	142,571	139,939
Customers' liability under acceptances	6,854	6,801
Allowances for credit losses	(683)	(658)
	148,742	146,082
Other		
Derivative financial instruments	7,274	8,608
Investments in associates and joint ventures	655	645
Premises and equipment	609	601
Goodwill	1,415	1,412
Intangible assets	1,373	1,314
Other assets (Note 9)	2,726	3,111
	14,052	15,691
	269,106	262,471
Liabilities and equity		
Deposits (Notes 5 and 10)	179,419	170,830
Other		
Acceptances	6,854	6,801
Obligations related to securities sold short	15,394	17,780
Obligations related to securities sold under repurchase agreements and securities loaned	20,378	19,998
Derivative financial instruments	5,481	6,036
Liabilities related to transferred receivables (Notes 5 and 8)	20,236	20,100
Other liabilities (Note 11)	5,837	5,824
	74,180	76,539
Subordinated debt	772	747
Equity		
Equity attributable to the Bank's shareholders (Notes 12 and 14)		
Preferred shares	2,450	2,450
Common shares	2,901	2,822
Contributed surplus	52	57
Retained earnings	8,889	8,472
Accumulated other comprehensive income	50	175
	14,342	13,976
Non-controlling interests	393	379
	14,735	14,355
	269,106	262,471

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

Consolidated Statements of Income

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2019	2018	**2019**	2018
Interest income				
Loans	**1,583**	1,364	**3,187**	2,688
Securities at fair value through profit or loss	**307**	229	**539**	386
Securities at fair value through other comprehensive income	**45**	36	**82**	71
Securities at amortized cost	**52**	42	**105**	78
Deposits with financial institutions	**69**	47	**139**	93
	2,056	1,718	**4,052**	3,316
Interest expense				
Deposits	**831**	595	**1,671**	1,144
Liabilities related to transferred receivables	**108**	100	**214**	199
Subordinated debt	**6**	6	**12**	6
Other	**169**	132	**350**	248
	1,114	833	**2,247**	1,597
Net interest income[1]	**942**	885	**1,805**	1,719
Non-interest income				
Underwriting and advisory fees	**82**	75	**143**	178
Securities brokerage commissions	**46**	47	**90**	101
Mutual fund revenues	**112**	106	**218**	217
Trust service revenues	**149**	146	**296**	291
Credit fees	**99**	97	**201**	194
Card revenues	**48**	36	**89**	76
Deposit and payment service charges	**63**	68	**131**	136
Trading revenues (losses)	**105**	164	**333**	392
Gains (losses) on non-trading securities, net	**25**	19	**57**	47
Insurance revenues, net	**28**	29	**62**	60
Foreign exchange revenues, other than trading	**22**	24	**46**	46
Share in the net income of associates and joint ventures	**7**	5	**15**	12
Other	**42**	53	**83**	91
	828	869	**1,764**	1,841
Total revenues	**1,770**	1,754	**3,569**	3,560
Provisions for credit losses (Note 7)	**84**	91	**172**	178
	1,686	1,663	**3,397**	3,382
Non-interest expenses				
Compensation and employee benefits	**607**	601	**1,223**	1,232
Occupancy	**63**	60	**125**	118
Technology	**172**	153	**333**	314
Communications	**16**	17	**32**	33
Professional fees	**57**	56	**119**	116
Other	**111**	105	**220**	203
	1,026	992	**2,052**	2,016
Income before income taxes	**660**	671	**1,345**	1,366
Income taxes	**102**	124	**235**	269
Net income	**558**	547	**1,110**	1,097
Net income attributable to				
Preferred shareholders	**29**	26	**58**	48
Common shareholders	**510**	496	**1,017**	1,001
Bank shareholders	**539**	522	**1,075**	1,049
Non-controlling interests	**19**	25	**35**	48
	558	547	**1,110**	1,097
Earnings per share *(dollars)* (Note 17)				
Basic	**1.52**	1.46	**3.03**	2.94
Diluted	**1.51**	1.44	**3.01**	2.90
Dividends per common share *(dollars)* (Note 12)	**0.65**	0.60	**1.30**	1.20

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

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

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30		Six months ended April 30	
	2019	2018	**2019**	2018
Net income	**558**	547	**1,110**	1,097
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	**50**	78	**42**	(3)
Impact of hedging net foreign currency translation gains (losses)	**(14)**	(21)	**(13)**	(1)
	36	57	**29**	(4)
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	**16**	(9)	**24**	(5)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(13)**	(3)	**(23)**	(2)
	3	(12)	**1**	(7)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(51)**	–	**(145)**	11
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(11)	**(12)**	(21)
	(54)	(11)	**(157)**	(10)
Share in the other comprehensive income of associates and joint ventures	**3**	(1)	**4**	1
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**13**	(3)	**(39)**	33
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**1**	(3)	**(5)**	–
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(58)**	19	**(5)**	(7)
	(44)	13	**(49)**	26
Total other comprehensive income, net of income taxes	**(56)**	46	**(172)**	6
Comprehensive income	**502**	593	**938**	1,103
Comprehensive income attributable to				
Bank shareholders	**480**	564	**901**	1,056
Non-controlling interests	**22**	29	**37**	47
	502	593	**938**	1,103

Income Taxes – Other Comprehensive Income

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

	Quarter ended April 30		Six months ended April 30	
	2019	2018	**2019**	2018
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(1)**	–	**2**	–
Impact of hedging net foreign currency translation gains (losses)	**(4)**	(5)	**(4)**	1
	(5)	(5)	**(2)**	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	**6**	(4)	**9**	(2)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(4)**	–	**(8)**	1
	2	(4)	**1**	(1)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(18)**	–	**(52)**	4
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(2)**	(5)	**(5)**	(8)
	(20)	(5)	**(57)**	(4)
Share in the other comprehensive income of associates and joint ventures	**1**	–	**1**	–
Remeasurements of pension plans and other post-employment benefit plans	**5**	(1)	**(14)**	12
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**–**	(1)	**(2)**	–
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(21)**	7	**(2)**	(3)
	(38)	(9)	**(75)**	5

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

Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars)

	Six months ended April 30	
	2019	2018
Preferred shares at beginning (Note 12)	**2,450**	2,050
Issuance of Series 40 preferred shares	**–**	300
Redemption of Series 28 preferred shares for cancellation	**–**	(200)
Preferred shares at end	**2,450**	2,150
Common shares at beginning (Note 12)	**2,822**	2,768
Issuances of common shares pursuant to the Stock Option Plan	**51**	92
Repurchases of common shares for cancellation	**(17)**	(25)
Impact of shares purchased or sold for trading	**45**	33
Common shares at end	**2,901**	2,868
Contributed surplus at beginning	**57**	58
Stock option expense (Note 14)	**6**	6
Stock options exercised	**(7)**	(12)
Other	**(4)**	–
Contributed surplus at end	**52**	52
Retained earnings at beginning	**8,472**	7,706
Impact of adopting IFRS 15 on November 1, 2018 (IFRS 9 on November 1, 2017)	**(4)**	(139)
Net income attributable to the Bank's shareholders	**1,075**	1,049
Dividends on preferred shares (Note 12)	**(58)**	(48)
Dividends on common shares (Note 12)	**(436)**	(409)
Premium paid on common shares repurchased for cancellation (Note 12)	**(105)**	(159)
Share issuance expenses, net of income taxes	**–**	(6)
Remeasurements of pension plans and other post-employment benefit plans	**(39)**	33
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**(5)**	–
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(5)**	(7)
Impact of a financial liability resulting from put options written to non-controlling interests	**(6)**	–
Other	**–**	(2)
Retained earnings at end	**8,889**	8,018
Accumulated other comprehensive income at beginning	**175**	168
Impact of adopting IFRS 9 on November 1, 2017		(10)
Net foreign currency translation adjustments	**27**	(4)
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	**1**	(7)
Net change in gains (losses) on cash flow hedges	**(157)**	(9)
Share in the other comprehensive income of associates and joint ventures	**4**	1
Accumulated other comprehensive income at end	**50**	139
Equity attributable to the Bank's shareholders	**14,342**	13,227
Non-controlling interests at beginning	**379**	808
Impact of adopting IFRS 9 on November 1, 2017		(16)
Net income attributable to non-controlling interests	**35**	48
Other comprehensive income attributable to non-controlling interests	**2**	(1)
Distributions to non-controlling interests	**(23)**	(58)
Non-controlling interests at end	**393**	781
Equity	**14,735**	14,008

Accumulated Other Comprehensive Income

	As at April 30, 2019	As at April 30, 2018
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**41**	(17)
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**14**	22
Net gains (losses) on instruments designated as cash flow hedges	**(6)**	137
Share in the other comprehensive income of associates and joint ventures	**1**	(3)
	50	139

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

Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)

	Six months ended April 30	
	2019	2018
Cash flows from operating activities		
Net income	**1,110**	1,097
Adjustments for		
Provisions for credit losses	**172**	178
Amortization of premises and equipment and intangible assets	**167**	146
Deferred taxes	**18**	16
Losses (gains) on sales of non-trading securities, net	**(57)**	(47)
Share in the net income of associates and joint ventures	**(15)**	(12)
Stock option expense	**6**	6
Change in operating assets and liabilities		
Securities at fair value through profit or loss	**(7,657)**	(7,140)
Securities purchased under reverse repurchase agreements and securities borrowed	**966**	3,153
Loans and acceptances, net of securitization	**(2,658)**	(3,418)
Deposits	**8,589**	8,103
Obligations related to securities sold short	**(2,386)**	(2,536)
Obligations related to securities sold under repurchase agreements and securities loaned	**380**	4,878
Derivative financial instruments, net	**779**	(312)
Interest and dividends receivable and interest payable	**(62)**	(87)
Current tax assets and liabilities	**(166)**	(139)
Other items	**33**	(889)
	(781)	2,997
Cash flows from financing activities		
Issuance of preferred shares	**–**	300
Redemption of preferred shares for cancellation	**–**	(200)
Issuances of common shares (including the impact of shares purchased for trading)	**89**	113
Repurchases of common shares for cancellation	**(122)**	(184)
Issuance of subordinated debt	**–**	750
Share issuance expenses	**–**	(6)
Dividends paid	**(488)**	(452)
Distributions to non-controlling interests	**(23)**	(58)
	(544)	263
Cash flows from investing activities		
Purchases of securities at fair value through other comprehensive income	**(5,405)**	(2,012)
Maturities of securities at fair value through other comprehensive income	**52**	10
Sales of securities at fair value through other comprehensive income	**4,546**	1,935
Purchases of securities at amortized cost	**(878)**	(1,303)
Maturities of securities at amortized cost	**507**	141
Sales of securities at amortized cost	**166**	14
Net change in tangible assets leased under operating leases	**–**	66
Net change in premises and equipment	**(61)**	(116)
Net change in intangible assets	**(173)**	(135)
	(1,246)	(1,400)
Impact of currency rate movements on cash and cash equivalents	**313**	287
Increase (decrease) in cash and cash equivalents	**(2,258)**	2,147
Cash and cash equivalents at beginning	**12,756**	8,801
Cash and cash equivalents at end(1)	**10,498**	10,948
Supplementary information about cash flows from operating activities		
Interest paid	**2,270**	1,623
Interest and dividends received	**4,014**	3,255
Income taxes paid	**189**	314

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

(1) This item is the equivalent of Consolidated Balance Sheet item *Cash and deposits with financial institutions*. It includes an amount of $3.3 billion as at April 30, 2019 ($2.5 billion as at October 31, 2018) for which there are restrictions.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited) (millions of Canadian dollars)

Note 1 – Basis of Presentation

On May 29, 2019, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter and six-month period ended April 30, 2019.

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

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

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

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

Note 2 – Accounting Policy Changes

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

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

Note 2 – Accounting Policy Changes (cont.)

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

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

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

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

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

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

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

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

Note 3 – Future Accounting Policy Changes

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

IFRS 16 – *Leases*
The Bank has chosen to apply IFRS 16 using the modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of *Retained earnings* as at November 1, 2019, the date of initial application, with no restatement of comparative periods. The Bank is continuing to assess this standard's impact on its consolidated financial statements, is updating its lease administration system, and is developing the new internal controls and processes needed to apply IFRS 16.

(unaudited) (millions of Canadian dollars)

Note 4 – Fair Value of Financial Instruments

Fair Value and Carrying Value of Financial Instruments by Category

Financial assets and financial liabilities are recognized on the Consolidated Balance Sheet at fair value or at amortized cost in accordance with the categories set out in the accounting framework for financial instruments.

								As at April 30, 2019
	Carrying value and fair value				Carrying value	Fair value		
	Financial instruments classified as at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Debt securities classified as at fair value through other comprehensive income	Equity securities designated at fair value through other comprehensive income	Financial instruments at amortized cost, net	Financial instruments at amortized cost, net	Total carrying value	Total fair value
Financial assets								
Cash and deposits with financial institutions	–	–	–	–	10,498	10,498	10,498	10,498
Securities	60,122	3,352	6,261	372	8,514	8,566	78,621	78,673
Securities purchased under reverse repurchase agreements and securities borrowed	–	413	–	–	16,780	16,780	17,193	17,193
Loans and acceptances, net of allowances	6,263	–	–	–	142,479	142,975	148,742	149,238
Other								
Derivative financial instruments	7,274	–	–	–	–	–	7,274	7,274
Other assets	–	–	–	–	1,295	1,295	1,295	1,295
Financial liabilities								
Deposits	–	10,957			168,462 [(1)]	168,946	179,419	179,903
Other								
Acceptances	–	–			6,854	6,854	6,854	6,854
Obligations related to securities sold short	15,394	–			–	–	15,394	15,394
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			20,378	20,378	20,378	20,378
Derivative financial instruments	5,481	–			–	–	5,481	5,481
Liabilities related to transferred receivables	–	7,256			12,980	13,049	20,236	20,305
Other liabilities	24	–			3,304	3,305	3,328	3,329
Subordinated debt	–	–			772	764	772	764

(1) Includes embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

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

As at October 31, 2018

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

(1) Includes embedded derivative financial instruments.

Establishing Fair Value

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

Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Bank applies other valuation techniques that maximize the use of relevant observable inputs and that minimize the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates. Judgment is required when applying many of the valuation techniques. The Bank's valuation was based on its assessment of the conditions prevailing as at April 30, 2019 and may change in the future. Furthermore, there may be valuation uncertainty resulting from the choice of valuation model used.

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

(unaudited) (millions of Canadian dollars)

Financial Instruments Recorded at Fair Value on the Consolidated Balance Sheet

Hierarchy of Fair Value Measurements

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

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

During the quarter ended April 30, 2019, $4 million in securities classified as at fair value through profit or loss were transferred from Level 2 to Level 1 resulting from changing market conditions ($45 million in securities classified as at fair value through profit or loss and $6 million in obligations related to securities sold short during the quarter ended April 30, 2018). Also during the quarter ended April 30, 2019, $8 million in securities classified as at fair value through profit or loss and $1 million in obligations related to securities sold short were transferred from Level 1 to Level 2 ($8 million in securities classified as at fair value through profit or loss and $1 million in obligations related to securities sold short during the quarter ended April 30, 2018). During the six-month periods ended April 30, 2019 and 2018, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.

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

				As at April 30, 2019
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	1,775	9,729	–	11,504
Canadian provincial and municipal governments	–	7,990	–	7,990
U.S. Treasury, other U.S. agencies and other foreign governments	2,929	813	–	3,742
Other debt securities	–	2,931	25	2,956
Equity securities	36,106	853	323	37,282
	40,810	22,316	348	63,474
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	224	3,620	–	3,844
Canadian provincial and municipal governments	–	1,809	–	1,809
U.S. Treasury, other U.S. agencies and other foreign governments	173	–	–	173
Other debt securities	–	435	–	435
Equity securities	–	139	233	372
	397	6,003	233	6,633
Securities purchased under reverse repurchase agreements and securities borrowed	–	413	–	413
Loans	–	5,877	386	6,263
Other				
Derivative financial instruments	93	7,164	17	7,274
	41,300	41,773	984	84,057
Financial liabilities				
Deposits	–	11,112	8	11,120
Other				
Obligations related to securities sold short	10,938	4,456	–	15,394
Derivative financial instruments	155	5,314	12	5,481
Liabilities related to transferred receivables	–	7,256	–	7,256
Other liabilities	–	24	–	24
	11,093	28,162	20	39,275

(unaudited) (millions of Canadian dollars)

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

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

Financial Instruments Classified in Level 3

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

For a description of the valuation techniques and significant unobservable inputs used in determining the fair value of financial instruments classified in Level 3, see Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. For the quarter and six-month period ended April 30, 2019, no significant change was made to the valuation techniques and significant unobservable inputs used in determining fair value.

Sensitivity Analysis of Financial Instruments Classified in Level 3
The Bank performs sensitivity analyses on the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably possible alternative assumptions. For additional information on how a change in unobservable input might affect the fair value measurements of Level 3 financial instruments, see Note 4 to the audited annual consolidated financial statements for the year ended October 31, 2018. For the six-month period ended April 30, 2019, there were no significant changes in the sensitivity analyses of Level 3 financial instruments.

(unaudited) (millions of Canadian dollars)

Change in the Fair Value of Financial Instruments Classified in Level 3

The Bank may hedge the fair value of financial instruments classified in the various levels through offsetting hedge positions. Gains and losses for financial instruments classified in Level 3 presented in the following tables do not reflect the inverse gains and losses on financial instruments used for economic hedging purposes that may have been classified in Levels 1 or 2 by the Bank. In addition, the Bank may hedge the fair value of financial instruments classified in Level 3 using other financial instruments classified in Level 3. The effect of these hedges is not included in the net amount presented in the following tables. The gains and losses presented hereafter may comprise changes in fair value based on observable and unobservable inputs.

					Six months ended April 30, 2019
	Securities at fair value through profit or loss	Securities at fair value through other comprehensive income	Loans	Derivative financial instruments(1)	Deposits
Fair value as at October 31, 2018	313	233	386	(7)	(11)
Total realized and unrealized gains (losses) included in *Net income* (2)	36	–	10	14	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	–	–	–	–
Purchases	37	–	–	–	–
Sales	(38)	–	–	–	–
Issuances	–	–	3	–	–
Settlements and other	–	–	(13)	3	–
Financial instruments transferred into Level 3	–	–	–	(10)	–
Financial instruments transferred out of Level 3	–	–	–	5	3
Fair value as at April 30, 2019	348	233	386	5	(8)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at April 30, 2019(3)	29	–	10	14	–

					Six months ended April 30, 2018
	Securities at fair value through profit or loss	Securities at fair value through other comprehensive income	Loans	Derivative financial instruments(1)	Deposits
Fair value as at November 1, 2017	184	158	428	20	(1)
Total realized and unrealized gains (losses) included in *Net income* (4)	28	–	14	(5)	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	–	–	–	–
Purchases	10	75	–	–	–
Sales	(15)	–	–	–	–
Issuances	–	–	4	–	–
Settlements and other	–	–	(38)	(4)	–
Financial instruments transferred into Level 3	–	–	–	(1)	–
Financial instruments transferred out of Level 3	–	–	–	(4)	1
Fair value as at April 30, 2018	207	233	408	6	–
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at April 30, 2018(5)	9	–	14	(5)	–

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) Total gains (losses) included in *Non-interest income* was a gain of $60 million.
(3) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $53 million.
(4) Total gains (losses) included in *Non-interest income* was a gain of $37 million.
(5) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $18 million.

(unaudited) (millions of Canadian dollars)

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

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

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

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

	Carrying value as at April 30, 2019	Unrealized gains (losses) for the quarter ended April 30, 2019	Unrealized gains (losses) for the six months ended April 30, 2019	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	3,352	28	71	5
Securities purchased under reverse repurchase agreements	413	–	–	–
	3,765	28	71	5
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	10,957	(514)	(725)	(132)
Liabilities related to transferred receivables	7,256	(44)	(147)	(58)
	18,213	(558)	(872)	(190)

	Carrying value as at April 30, 2018	Unrealized gains (losses) for the quarter ended April 30, 2018	Unrealized gains (losses) for the six months ended April 30, 2018	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss				
Securities	4,391	(1)	(39)	(76)
Securities purchased under reverse repurchase agreements	416	–	–	–
	4,807	(1)	(39)	(76)
Financial liabilities designated at fair value through profit or loss				
Deposits(1)(2)	9,183	122	161	130
Securities sold under repurchase agreements	311	–	–	–
Liabilities related to transferred receivables	7,909	12	103	17
	17,403	134	264	147

(1) For the quarter ended April 30, 2019, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income*, resulted in a loss of $79 million ($26 million gain for the quarter ended April 30, 2018). For the six-month period ended April 30, 2019, the corresponding change in this item resulted in a loss of $7 million ($10 million loss for the six-month period ended April 30, 2018).

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

(unaudited) (millions of Canadian dollars)

Note 6 – Securities

Credit Quality

As at April 30, 2019 and as at October 31, 2018, securities at fair value through other comprehensive income and securities at amortized cost are classified in Stage 1, with their credit quality falling mainly in the "Excellent" category according to the Bank's internal risk-rating categories. For additional information on the reconciliation of allowances for credit losses, see Note 7 to these consolidated financial statements.

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

				As at April 30, 2019
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value(1)
Securities issued or guaranteed by				
Canadian government	3,816	29	(1)	3,844
Canadian provincial and municipal governments	1,771	38	–	1,809
U.S. Treasury, other U.S. agencies and other foreign governments	172	1	–	173
Other debt securities	425	11	(1)	435
Equity securities	384	1	(13)	372
	6,568	80	(15)	6,633

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

(1) The allowances for credit losses on securities at fair value through other comprehensive income, representing a negligible amount as at April 30, 2019 and October 31, 2018, are reported in *Other comprehensive income*. For additional information, see Note 7 to these consolidated financial statements.

Equity Securities Designated at Fair Value Through Other Comprehensive Income

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

During the first six months ended April 30, 2019, an amount of $10 million in dividend income was recognized for these investments ($8 million for the six-month period ended April 30, 2018), including negligible amounts for investments that were sold during the six-month periods ended April 30, 2019 and 2018.

	Six months ended April 30, 2019			Six months ended April 30, 2018		
	Equity securities of private companies	Equity securities of public companies	Total	Equity securities of private companies	Equity securities of public companies	Total
Fair value at the beginning	233	118	351	158	122	280
Change in fair value	–	(7)	(7)	–	–	–
Designated at fair value through other comprehensive income	–	51	51	75	26	101
Sales(1)	–	(23)	(23)	–	(26)	(26)
Fair value at the end	233	139	372	233	122	355

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

(unaudited) (millions of Canadian dollars)

Note 6 – Securities (cont.)

Securities at Amortized Cost

	As at April 30, 2019	As at October 31, 2018
Securities issued or guaranteed by		
Canadian government	4,999	4,952
Canadian provincial and municipal governments	1,860	1,680
U.S. Treasury, other U.S. agencies and other foreign governments	78	21
Other debt securities	1,578	1,646
Gross carrying value	8,515	8,299
Allowances for credit losses	1	1
Carrying value	8,514	8,298

Gains (Losses) on Disposals of Securities at Amortized Cost

During the six-month periods ended April 30, 2019 and 2018, the Bank sold certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $166 million for the six-month period ended April 30, 2019 ($14 million for the six-month period ended April 30, 2018), and the Bank recognized negligible gains in *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income for the six-month periods ended April 30, 2019 and 2018.

Note 7 – Loans and Allowances for Credit Losses

Determining and Measuring Expected Credit Losses (ECL)

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

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

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

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

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

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

Credit Quality of Loans

The following tables present the gross carrying amounts of loans as at April 30, 2019 and October 31, 2018, according to credit quality and ECL impairment stage of each loan category at amortized cost, and according to credit quality for loans at fair value through profit or loss. For additional information on credit quality according to the Advanced Internal Rating-Based (AIRB) categories, see the “Internal Default Risk Rating” tables on pages 62 and 63 in the “Credit Risk Management” section of the *2018 Annual Report*.

(unaudited) (millions of Canadian dollars)

						As at April 30, 2019
	Non-impaired loans		Impaired loans		Loans at fair value through profit or loss(1)	
	Stage 1	Stage 2	Stage 3	POCI		Total
Residential mortgage						
Excellent	20,230	–	–	–	–	20,230
Good	14,794	4	–	–	–	14,798
Satisfactory	8,381	305	–	–	–	8,686
Special mention	399	460	–	–	–	859
Substandard	109	271	–	–	–	380
Default	–	–	114	–	–	114
AIRB approach	43,913	1,040	114	–	–	45,067
Standardized approach	3,117	22	26	429	5,952	9,546
Gross carrying amount	47,030	1,062	140	429	5,952	54,613
Allowances for credit losses(2)	34	11	23	(60)	–	8
Carrying amount	46,996	1,051	117	489	5,952	54,605
Personal						
Excellent	13,702	1	–	–	–	13,703
Good	10,145	59	–	–	–	10,204
Satisfactory	5,331	1,189	–	–	–	6,520
Special mention	464	683	–	–	–	1,147
Substandard	109	198	–	–	–	307
Default	–	–	145	–	–	145
AIRB approach	29,751	2,130	145	–	–	32,026
Standardized approach	3,746	110	24	832	–	4,712
Gross carrying amount	33,497	2,240	169	832	–	36,738
Allowances for credit losses(2)	64	104	71	(1)	–	238
Carrying amount	33,433	2,136	98	833	–	36,500
Credit card						
Excellent	428	–	–	–	–	428
Good	289	–	–	–	–	289
Satisfactory	838	29	–	–	–	867
Special mention	317	268	–	–	–	585
Substandard	14	113	–	–	–	127
Default	–	–	–	–	–	–
AIRB approach	1,886	410	–	–	–	2,296
Standardized approach	28	–	–	–	–	28
Gross carrying amount	1,914	410	–	–	–	2,324
Allowances for credit losses(2)	25	105	–	–	–	130
Carrying amount	1,889	305	–	–	–	2,194
Business and government(3)						
Excellent	4,306	–	–	–	104	4,410
Good	24,418	3	–	–	54	24,475
Satisfactory	19,839	701	–	–	82	20,622
Special mention	1,274	1,356	–	–	–	2,630
Substandard	25	223	–	–	–	248
Default	–	–	285	–	–	285
AIRB approach	49,862	2,283	285	–	240	52,670
Standardized approach	2,973	1	33	2	71	3,080
Gross carrying amount	52,835	2,284	318	2	311	55,750
Allowances for credit losses(2)	50	102	154	1	–	307
Carrying amount	52,785	2,182	164	1	311	55,443
Total loans						
Gross carrying amount	135,276	5,996	627	1,263	6,263	149,425
Allowances for credit losses(2)	173	322	248	(60)	–	683
Carrying amount	135,103	5,674	379	1,323	6,263	148,742

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

(unaudited) (millions of Canadian dollars)

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

As at October 31, 2018

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

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

(unaudited) (millions of Canadian dollars)

The following table presents the credit risk exposures of off-balance-sheet commitments as at April 30, 2019 and October 31, 2018 according to credit quality and ECL impairment stage.

	As at April 30, 2019				As at October 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments[1]								
Retail								
Excellent	11,636	5	–	11,641	11,440	9	–	11,449
Good	2,406	11	–	2,417	2,450	13	–	2,463
Satisfactory	929	153	–	1,082	969	117	–	1,086
Special mention	78	81	–	159	79	77	–	156
Substandard	2	14	–	16	2	13	–	15
Default	–	–	4	4	–	–	2	2
Non-retail								
Excellent	9,155	–	–	9,155	5,881	–	–	5,881
Good	15,648	2	–	15,650	13,570	–	–	13,570
Satisfactory	4,729	280	–	5,009	4,302	353	–	4,655
Special mention	165	210	–	375	133	142	–	275
Substandard	2	19	–	21	3	6	–	9
Default	–	–	4	4	–	–	4	4
AIRB approach	44,750	775	8	45,533	38,829	730	6	39,565
Standardized approach	5,778	–	9	5,787	6,434	–	5	6,439
Total exposure	50,528	775	17	51,320	45,263	730	11	46,004
Allowances for credit losses	42	20	–	62	38	15	1	54
Total exposure, net of allowances	50,486	755	17	51,258	45,225	715	10	45,950

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

Loans Past Due But Not Impaired[1]

	As at April 30, 2019				As at October 31, 2018			
	Residential mortgage	**Personal**	**Credit card**	**Business and government[2]**	Residential mortgage	Personal	Credit card	Business and government[2]
Past due but not impaired								
31 to 60 days	54	91	26	31	105	102	27	36
61 to 90 days	38	41	15	24	41	59	13	41
Over 90 days[3]	–	–	27	–	–	–	27	–
	92	132	68	55	146	161	67	77

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

Impaired Loans

	As at April 30, 2019			As at October 31, 2018		
	Gross	**Allowances for credit losses**	**Net**	Gross	Allowances for credit losses	Net
Loans – Stage 3						
Residential mortgage	140	23	117	151	21	130
Personal	169	71	98	164	71	93
Credit card[1]	–	–	–	–	–	–
Business and government[2]	318	154	164	315	134	181
	627	248	379	630	226	404
POCI loans	1,263	(60)	1,323	1,576	(66)	1,642
	1,890	188	1,702	2,206	160	2,046

(1) Credit card receivables are considered impaired, at the latest, when payment is 180 days past due, and they are written off at that time.
(2) Includes customers' liability under acceptances.

(unaudited) (millions of Canadian dollars)

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

Allowances for Credit Losses

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

						Quarter ended April 30, 2019
	Allowances for credit losses as at January 31,2019	Provisions for credit losses	Write-offs[1]	Disposals	Recoveries and other	Allowances for credit losses as at April 30, 2019
Balance sheet						
Cash and deposits with financial institutions[2][3]	1	–	–	–	–	1
Securities[3]						
At fair value through other comprehensive income[4]	–	–	–	–	–	–
At amortized cost[2]	1	–	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed[2][3]	–	–	–	–	–	–
Loans[5]						
Residential mortgage	7	3	(2)	–	–	8
Personal	251	28	(48)	–	7	238
Credit card	127	25	(25)	–	3	130
Business and government	246	26	(5)	–	5	272
Customers' liability under acceptances	33	2	–	–	–	35
	664	84	(80)	–	15	683
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	4	(1)	–	–	–	3
Undrawn commitments	56	1	–	–	–	57
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	62	–	–	–	–	62
	728	84	(80)	–	15	747

						Quarter ended April 30, 2018
	Allowances for credit losses as at January 31, 2018	Provisions for credit losses	Write-offs[1]	Disposals	Recoveries and other	Allowances for credit losses as at April 30, 2018
Balance sheet						
Cash and deposits with financial institutions[2][3]	1	–	–	–	–	1
Securities[3]						
At fair value through other comprehensive income[4]	–	–	–	–	–	–
At amortized cost[2]	1	–	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed[2][3]	–	–	–	–	–	–
Loans[5]						
Residential mortgage	27	(1)	(2)	–	(1)	23
Personal	260	51	(49)	(5)	9	266
Credit card	130	24	(25)	–	3	132
Business and government	233	12	(8)	(13)	4	228
Customers' liability under acceptances	13	4	–	–	–	17
	663	90	(84)	(18)	15	666
Other assets[2][3]	–	–	–	–	–	–
Off-balance-sheet commitments[6]						
Letters of guarantee and documentary letters of credit	3	–	–	–	–	3
Undrawn commitments	47	–	–	–	–	47
Backstop liquidity and credit enhancement facilities	1	1	–	–	–	2
	51	1	–	–	–	52
	716	91	(84)	(18)	15	720

(1) The contractual amount outstanding on financial assets that were written off during the quarter ended April 30, 2019 and that are still subject to enforcement activity was $43 million ($39 million for the quarter ended April 30, 2018).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at April 30, 2019 and 2018, these financial assets were mainly classified in Stage 1 and their credit quality fell within the *Excellent* category.
(4) The allowances for credit losses are reported in the *Accumulated other comprehensive income* item of the Consolidated Balance Sheet.
(5) The allowances for credit losses are reported in the *Allowances for credit losses* item of the Consolidated Balance Sheet.
(6) The allowances for credit losses are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

					Six months ended April 30, 2019	
	Allowances for credit losses as at October 31,2018	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at April 30, 2019
Balance sheet						
Cash and deposits with financial institutions(2)(3)	1	–	–	–	–	1
Securities(3)						
At fair value through other comprehensive income(4)	–	–	–	–	–	–
At amortized cost(2)	1	–	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	1	10	(3)	–	–	8
Personal	259	69	(105)	–	15	238
Credit card	129	45	(50)	–	6	130
Business and government	249	25	(7)	–	5	272
Customers' liability under acceptances	20	15	–	–	–	35
	658	164	(165)	–	26	683
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	3	–	–	–	–	3
Undrawn commitments	49	8	–	–	–	57
Backstop liquidity and credit enhancement facilities	2	–	–	–	–	2
	54	8	–	–	–	62
	714	172	(165)	–	26	747

					Six months ended April 30, 2018	
	Allowances for credit losses as at November 1, 2017	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at April 30, 2018
Balance sheet						
Cash and deposits with financial institutions(2)(3)	1	–	–	–	–	1
Securities(3)						
At fair value through other comprehensive income(4)	–	–	–	–	–	–
At amortized cost(2)	3	(2)	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	18	10	(5)	–	–	23
Personal	261	93	(90)	(5)	7	266
Credit card	128	47	(50)	–	7	132
Business and government	250	35	(45)	(13)	1	228
Customers' liability under acceptances	16	1	–	–	–	17
	673	186	(190)	(18)	15	666
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	3	–	–	–	–	3
Undrawn commitments	54	(7)	–	–	–	47
Backstop liquidity and credit enhancement facilities	1	1	–	–	–	2
	58	(6)	–	–	–	52
	735	178	(190)	(18)	15	720

(1) The contractual amount outstanding on financial assets that were written off during the six-month period ended April 30, 2019 and that are still subject to enforcement activity was $84 million ($74 million for the six-month period ended April 30, 2018).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at April 30, 2019 and 2018, these financial assets were mainly classified in Stage 1 and their credit quality fell within the *Excellent* category.
(4) The allowances for credit losses are reported in the *Accumulated other comprehensive income* item of the Consolidated Balance Sheet.
(5) The allowances for credit losses are reported in the *Allowances for credit losses* item of the Consolidated Balance Sheet.
(6) The allowances for credit losses are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

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

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

	Quarter ended April 30, 2019					Quarter ended April 30, 2018				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Residential mortgage										
Balance as at January 31, 2019	32	12	23	(60)	7	26	12	19	(30)	27
Originations or purchases	5	–	–	–	5	3	–	–	–	3
Transfers[2]:										
to Stage 1	4	(3)	(1)	–	–	2	(2)	–	–	–
to Stage 2	–	1	(1)	–	–	–	1	(1)	–	–
to Stage 3	–	(1)	1	–	–	–	(1)	1	–	–
Net remeasurement of loss allowances[3]	(8)	2	3	1	(2)	(5)	3	2	(3)	(3)
Derecognitions[4]	–	–	–	–	–	–	–	(1)	–	(1)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	1	(1)	2	1	3	–	1	1	(3)	(1)
Write-offs	–	–	(2)	–	(2)	–	–	(2)	–	(2)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	1	–	1
Foreign exchange movements and other	1	–	–	(1)	–	–	–	(1)	(1)	(2)
Balance as at April 30, 2019	34	11	23	(60)	8	26	13	18	(34)	23
Includes:										
Amounts drawn	34	11	23	(60)	8	26	13	18	(34)	23
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance as at January 31, 2019	69	115	72	(3)	253	81	119	60	2	262
Originations or purchases	10	–	–	–	10	11	–	–	–	11
Transfers[2]:										
to Stage 1	20	(18)	(2)	–	–	16	(16)	–	–	–
to Stage 2	(5)	6	(1)	–	–	(7)	9	(2)	–	–
to Stage 3	(2)	(25)	27	–	–	(2)	(30)	32	–	–
Net remeasurement of loss allowances[3]	(26)	29	18	2	23	(22)	47	19	3	47
Derecognitions[4]	(2)	(2)	(1)	–	(5)	(4)	(3)	–	–	(7)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(5)	(10)	41	2	28	(8)	7	49	3	51
Write-offs	–	–	(48)	–	(48)	–	–	(49)	–	(49)
Disposals	–	–	–	–	–	–	–	–	(5)	(5)
Recoveries	–	–	6	–	6	–	–	5	–	5
Foreign exchange movements and other	1	–	–	–	1	2	2	–	–	4
Balance as at April 30, 2019	65	105	71	(1)	240	75	128	65	–	268
Includes:										
Amounts drawn	64	104	71	(1)	238	74	127	65	–	266
Undrawn commitments[5]	1	1	–	–	2	1	1	–	–	2

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended April 30, 2019 was $16 million ($78 million for the quarter ended April 30, 2018). The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(4) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(5) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

	Quarter ended April 30, 2019					Quarter ended April 30, 2018				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI(1)	Total	Stage 1	Stage 2	Stage 3	POCI(1)	Total
Credit card										
Balance as at January 31, 2019	42	113	–	–	155	41	114	–	–	155
Originations or purchases	2	–	–	–	2	2	–	–	–	2
Transfers(2):										
to Stage 1	23	(23)	–	–	–	23	(23)	–	–	–
to Stage 2	(4)	4	–	–	–	(4)	4	–	–	–
to Stage 3	–	(10)	10	–	–	–	(14)	14	–	–
Net remeasurement of loss allowances(3)	(21)	34	12	–	25	(21)	46	8	–	33
Derecognitions(4)	(1)	(1)	–	–	(2)	–	(11)	–	–	(11)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(1)	4	22	–	25	–	2	22	–	24
Write-offs	–	–	(25)	–	(25)	–	–	(25)	–	(25)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	3	–	3	–	–	3	–	3
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance as at April 30, 2019	41	117	–	–	158	41	116	–	–	157
Includes:										
Amounts drawn	25	105	–	–	130	30	102	–	–	132
Undrawn commitments(5)	16	12	–	–	28	11	14	–	–	25
Business and government(6)										
Balance as at January 31, 2019	64	105	135	1	305	56	77	133	–	266
Originations or purchases	7	–	–	–	7	7	–	–	–	7
Transfers(2):										
to Stage 1	5	(3)	(2)	–	–	3	(2)	(1)	–	–
to Stage 2	(1)	4	(3)	–	–	(1)	1	–	–	–
to Stage 3	–	(1)	1	–	–	–	–	–	–	–
Net remeasurement of loss allowances(3)	(2)	4	24	–	26	(5)	11	9	–	15
Derecognitions(4)	(2)	(1)	(1)	–	(4)	(3)	(1)	(2)	–	(6)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	7	3	19	–	29	1	9	6	–	16
Write-offs	–	–	(5)	–	(5)	–	–	(8)	–	(8)
Disposals	–	–	–	–	–	–	–	(13)	–	(13)
Recoveries	–	–	5	–	5	–	–	1	–	1
Foreign exchange movements and other	–	–	–	–	–	–	–	3	–	3
Balance as at April 30, 2019	71	108	154	1	334	57	86	122	–	265
Includes:										
Amounts drawn	50	102	154	1	307	43	81	121	–	245
Undrawn commitments(5)	21	6	–	–	27	14	5	1	–	20
Total allowances for credit losses as at April 30, 2019(7)	211	341	248	(60)	740	199	343	205	(34)	713
Includes:										
Amounts drawn	173	322	248	(60)	683	173	323	204	(34)	666
Undrawn commitments(5)	38	19	–	–	57	26	20	1	–	47

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended April 30, 2019 was $16 million ($78 million for the quarter ended April 30, 2018). The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(4) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(5) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.
(6) Includes customers' liability under acceptances.
(7) Excludes allowances for credit losses on other financial assets at amortized cost and on off-balance-sheet commitments other than undrawn commitments.

(unaudited) (millions of Canadian dollars)

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

	Six months ended April 30, 2019					Six months ended April 30, 2018				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Residential mortgage										
Balance as at October 31, 2018	31	13	21	(64)	1	22	10	17	(31)	18
Originations or purchases	11	–	–	–	11	6	–	–	–	6
Transfers[2]:										
to Stage 1	8	(6)	(2)	–	–	4	(4)	–	–	–
to Stage 2	–	1	(1)	–	–	–	2	(2)	–	–
to Stage 3	–	(2)	2	–	–	–	(2)	2	–	–
Net remeasurement of loss allowances[3]	(17)	5	6	5	(1)	(4)	8	7	(3)	8
Derecognitions[4]	–	–	–	–	–	(1)	(1)	(2)	–	(4)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	2	(2)	5	5	10	5	3	5	(3)	10
Write-offs	–	–	(3)	–	(3)	–	–	(5)	–	(5)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	2	–	2
Foreign exchange movements and other	1	–	–	(1)	–	(1)	–	(1)	–	(2)
Balance as at April 30, 2019	34	11	23	(60)	8	26	13	18	(34)	23
Includes:										
Amounts drawn	34	11	23	(60)	8	26	13	18	(34)	23
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance as at October 31, 2018	72	121	71	(3)	261	91	107	59	7	264
Originations or purchases	19	–	–	–	19	23	–	–	–	23
Transfers[2]:										
to Stage 1	40	(36)	(4)	–	–	32	(31)	(1)	–	–
to Stage 2	(11)	13	(2)	–	–	(14)	17	(3)	–	–
to Stage 3	(4)	(52)	56	–	–	(4)	(58)	62	–	–
Net remeasurement of loss allowances[3]	(47)	64	43	2	62	(45)	99	32	(2)	84
Derecognitions[4]	(5)	(5)	(2)	–	(12)	(8)	(6)	(1)	–	(15)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(8)	(16)	91	2	69	(16)	21	89	(2)	92
Write-offs	–	–	(105)	–	(105)	–	–	(90)	–	(90)
Disposals	–	–	–	–	–	–	–	–	(5)	(5)
Recoveries	–	–	14	–	14	–	–	8	–	8
Foreign exchange movements and other	1	–	–	–	1	–	–	(1)	–	(1)
Balance as at April 30, 2019	65	105	71	(1)	240	75	128	65	–	268
Includes:										
Amounts drawn	64	104	71	(1)	238	74	127	65	–	266
Undrawn commitments[5]	1	1	–	–	2	1	1	–	–	2

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the six months ended April 30, 2019 was $29 million ($103 million for the six months ended April 30, 2018). The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(4) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(5) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.

(unaudited) (millions of Canadian dollars)

	Six months ended April 30, 2019					Six months ended April 30, 2018				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Credit card										
Balance as at October 31, 2018	40	115	–	–	155	41	112	–	–	153
Originations or purchases	4	–	–	–	4	4	–	–	–	4
Transfers[2]:										
to Stage 1	43	(43)	–	–	–	46	(46)	–	–	–
to Stage 2	(8)	8	–	–	–	(8)	8	–	–	–
to Stage 3	(2)	(18)	20	–	–	–	(26)	26	–	–
Net remeasurement of loss allowances[3]	(34)	56	24	–	46	(42)	80	17	–	55
Derecognitions[4]	(2)	(1)	–	–	(3)	–	(12)	–	–	(12)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	1	2	44	–	47	–	4	43	–	47
Write-offs	–	–	(50)	–	(50)	–	–	(50)	–	(50)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	6	–	6	–	–	7	–	7
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance as at April 30, 2019	41	117	–	–	158	41	116	–	–	157
Includes:										
Amounts drawn	25	105	–	–	130	30	102	–	–	132
Undrawn commitments[5]	16	12	–	–	28	11	14	–	–	25
Business and government[6]										
Balance as at October 31, 2018	65	89	135	1	290	53	74	165	–	292
Originations or purchases	16	–	–	–	16	18	–	–	–	18
Transfers[2]:										
to Stage 1	9	(5)	(4)	–	–	14	(9)	(5)	–	–
to Stage 2	(4)	10	(6)	–	–	(2)	3	(1)	–	–
to Stage 3	–	(2)	2	–	–	–	–	–	–	–
Net remeasurement of loss allowances[3]	(10)	18	34	–	42	(19)	20	25	–	26
Derecognitions[4]	(5)	(2)	(5)	–	(12)	(7)	(2)	(5)	–	(14)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	6	19	21	–	46	4	12	14	–	30
Write-offs	–	–	(7)	–	(7)	–	–	(45)	–	(45)
Disposals	–	–	–	–	–	–	–	(13)	–	(13)
Recoveries	–	–	6	–	6	–	–	2	–	2
Foreign exchange movements and other	–	–	(1)	–	(1)	–	–	(1)	–	(1)
Balance as at April 30, 2019	71	108	154	1	334	57	86	122	–	265
Includes:										
Amounts drawn	50	102	154	1	307	43	81	121	–	245
Undrawn commitments[5]	21	6	–	–	27	14	5	1	–	20
Total allowances for credit losses as at April 30, 2019[7]	211	341	248	(60)	740	199	343	205	(34)	713
Includes:										
Amounts drawn	173	322	248	(60)	683	173	323	204	(34)	666
Undrawn commitments[5]	38	19	–	–	57	26	20	1	–	47

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the six months ended April 30, 2019 was $29 million ($103 million for the six months ended April 30, 2018). The expected credit losses reflected in the purchase price were discounted.
(2) Represent stage transfers deemed to have taken place at the beginning of the quarter in which the transfer occurred.
(3) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volumes and in the credit quality of existing loans as well as to changes in risk parameters.
(4) Represent reversals to loss allowances arising from full loan repayments (excluding write-offs and disposals).
(5) The allowances for credit losses on undrawn commitments are reported in the *Other liabilities* item of the Consolidated Balance Sheet.
(6) Includes customers' liability under acceptances.
(7) Excludes allowances for credit losses on other financial assets at amortized cost and on off-balance-sheet commitments other than undrawn commitments.

(unaudited) (millions of Canadian dollars)

Note 8 – Financial Assets Transferred But Not Derecognized

In the normal course of its business, the Bank enters into transactions in which it transfers financial assets such as securities or loans directly to third parties, in particular structured entities. According to the terms of some of those transactions, the Bank retains substantially all of the risks and rewards related to those financial assets. The risks include credit risk, interest rate risk, foreign exchange risk, prepayment risk and other price risks, whereas the rewards include income streams associated with the financial assets. As such, those financial assets are not derecognized and the transactions are treated as collateralized or secured borrowings. For additional information on the nature of those transactions, see Note 9 to the audited annual consolidated financial statements for the year ended October 31, 2018.

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

	As at April 30, 2019	As at October 31, 2018
Carrying value of financial assets transferred but not derecognized		
Securities[1]	49,033	44,125
Residential mortgages	19,507	20,064
	68,540	64,189
Carrying value of associated liabilities[2]	36,796	32,834
Fair value of financial assets transferred but not derecognized		
Securities[1]	49,033	44,125
Residential mortgages	19,634	19,993
	68,667	64,118
Fair value of associated liabilities[2]	36,864	32,809

(1) The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For the obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties.
(2) Associated liabilities include obligations related to securities sold under repurchase agreements before the offsetting impact of $4,034 million as at April 30, 2019 ($287 million as at October 31, 2018) and liabilities related to transferred receivables. Liabilities related to securities loaned are not included, as the Bank can lend its own financial assets and those of third parties. The carrying value and fair value of liabilities related to securities loaned were $7,852 million as at April 30, 2019 ($7,550 million as at October 31, 2018).

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

	As at April 30, 2019	As at October 31, 2018
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	20,076	20,576
Securities sold under repurchase agreements	17,202	12,927
Securities loaned	31,262	30,686
	68,540	64,189

(unaudited) (millions of Canadian dollars)

Note 9 – Other Assets

	As at April 30, 2019	As at October 31, 2018
Receivables, prepaid expenses and other items	779	775
Interest and dividends receivable	587	549
Due from clients, dealers and brokers	708	1,255
Defined benefit asset	48	64
Deferred tax assets	318	324
Current tax assets	254	113
Reinsurance assets	32	31
	2,726	3,111

Note 10 – Deposits

				As at April 30, 2019	As at October 31, 2018
	On demand[1]	After notice[2]	Fixed term[3]	Total	Total
Personal	3,591	25,778	28,801	58,170	55,688
Business and government	23,672	30,504	61,938	116,114	110,321
Deposit-taking institutions	2,279	1,140	1,716	5,135	4,821
	29,542	57,422	92,455	179,419	170,830

(1) Demand deposits are deposits for which the Bank does not have the right to require notice of withdrawal and consist essentially of deposits in chequing accounts.
(2) Notice deposits are deposits for which the Bank may legally require notice of withdrawal and consist mainly of deposits in savings accounts.
(3) Fixed-term deposits are deposits that can be withdrawn by the holder on a specified date and include term deposits, guaranteed investment certificates, savings accounts and plans, covered bonds and similar instruments.

The *Deposits – Business and government* item includes, among other items, covered bonds, the balance of which was $8.3 billion as at April 30, 2019 ($8.3 billion as at October 31, 2018). During the first six months ended April 30, 2019, an amount of 1.0 billion euros of covered bonds issued under the legislative covered bond program came to maturity, and the Bank issued covered bonds in amounts of US$270 million and 750 million euros (an amount of US$750 million of covered bonds issued under the legislative covered bond program came to maturity, and the Bank issued covered bonds for an amount of 750 million euros during the six-month period ended April 30, 2018). For additional information on covered bonds, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2018.

The *Deposits – Business and government* item also includes a $1.2 billion amount of deposits that are subject to the bank bail-in conversion regulations issued by the Government of Canada. These regulations provide certain powers to the Canada Deposit Insurance Corporation (CDIC), notably the power to convert certain eligible Bank shares and liabilities into common shares should the Bank become non-viable.

Note 11 – Other Liabilities

	As at April 30, 2019	As at October 31, 2018
Accounts payable and accrued expenses	1,447	1,790
Subsidiaries' debts to third parties	1,067	1,033
Interest and dividends payable	995	1,012
Due to clients, dealers and brokers	903	796
Defined benefit liability	241	186
Allowances for credit losses — off-balance-sheet commitments (Note 7)	62	54
Deferred tax liabilities	19	25
Current tax liabilities	23	48
Insurance liabilities	43	50
Other items[1][2]	1,037	830
	5,837	5,824

(1) As at April 30, 2019, other items included a $9 million restructuring provision ($14 million as at October 31, 2018).
(2) As at April 30, 2019, other items included a $9 million litigation provision ($9 million as at October 31, 2018).

(unaudited) (millions of Canadian dollars)

Note 12 – Share Capital

Repurchase of Common Shares

On June 6, 2018, the Bank began a normal course issuer bid to repurchase for cancellation up to 8,000,000 common shares (representing approximately 2.36% of its outstanding common shares) over the 12-month period ending no later than June 5, 2019. On June 5, 2017, the Bank had begun a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares (representing approximately 1.76% of its outstanding common shares) over the 12-month period ended June 4, 2018. Any repurchase through the Toronto Stock Exchange is done at market prices. The common shares may also be repurchased through other means authorized by the Toronto Stock Exchange and applicable regulations, including private agreements or share repurchase programs under issuer bid exemption orders issued by the securities regulators. A private purchase made under an exemption order issued by a securities regulator will be done at a discount to the prevailing market price. The amounts that are paid above the average book value of the common shares are charged to *Retained earnings.* During the six months ended April 30, 2019, the Bank repurchased 2,047,200 common shares for $122 million, which reduced *Common share* capital by $17 million and *Retained earnings* by $105 million. During the six-month period ended April 30, 2018, the Bank had repurchased 3,000,000 common shares for $184 million, which had reduced *Common share* capital by $25 million and *Retained earnings* by $159 million.

Shares Outstanding

	As at April 30, 2019		As at October 31, 2018	
	Number of shares	Shares $	Number of shares	Shares $
First Preferred Shares				
Series 30	**14,000,000**	**350**	14,000,000	350
Series 32	**12,000,000**	**300**	12,000,000	300
Series 34	**16,000,000**	**400**	16,000,000	400
Series 36	**16,000,000**	**400**	16,000,000	400
Series 38	**16,000,000**	**400**	16,000,000	400
Series 40	**12,000,000**	**300**	12,000,000	300
Series 42	**12,000,000**	**300**	12,000,000	300
	98,000,000	**2,450**	98,000,000	2,450
Common shares at beginning of the fiscal year	**335,070,642**	**2,822**	339,591,965	2,768
Issued pursuant to the Stock Option Plan	**1,396,546**	**51**	3,129,313	128
Repurchases of common shares for cancellation	**(2,047,200)**	**(17)**	(7,500,000)	(64)
Impact of shares purchased or sold for trading(1)	**697,775**	**45**	(149,430)	(10)
Other	**(1,517)**	**–**	(1,206)	–
Common shares at end of the period	**335,116,246**	**2,901**	335,070,642	2,822

(1) As at April 30, 2019, 5,635 shares were held for trading, representing a negligible amount (703,410 shares held for trading representing $45 million as at October 31, 2018).

Dividends Declared

	Six months ended April 30			
	2019		2018	
	Dividends $	Dividends per share	Dividends $	Dividends per share
First Preferred Shares				
Series 30	**7**	**0.5125**	7	0.5125
Series 32	**6**	**0.4875**	6	0.4875
Series 34	**11**	**0.7000**	11	0.7000
Series 36	**11**	**0.6750**	11	0.6750
Series 38	**9**	**0.5563**	9	0.5563
Series 40	**7**	**0.5750**	4	0.3560
Series 42	**7**	**0.6188**	–	–
	58		48	
Common shares	**436**	**1.3000**	409	1.2000
	494		457	

Common Shares Held in Escrow

As part of the acquisition of Wellington West Holdings Inc. in 2011, the Bank had issued common shares held in escrow. In December 2016, 799,563 of these shares were released to shareholders, and 108,341 shares were cancelled, mainly upon the settlement of certain indemnifications guaranteed by those shares. During the second quarter of 2019, 870 of these shares were released to shareholders and 1,517 shares were cancelled (during the year ended October 31, 2018, 3,778 of these shares were released and 1,206 shares were cancelled). As at April 30, 2019, the number of common shares held in escrow was 21,510 (23,897 as at October 31, 2018). The Bank expects that the remaining shares in escrow will be settled by the end of calendar year 2019.

(unaudited) (millions of Canadian dollars)

Note 13 – Capital Disclosure

The Bank and all other major Canadian banks must maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5%, and a Total capital ratio of at least 11.5%. All of these ratios are to include a capital conservation buffer of 2.5% and a 1% surcharge applicable to Domestic Systemically Important Banks (D-SIBs). The banks also have to meet the revised capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. In addition, during the year ended October 31, 2018, OSFI introduced a domestic stability buffer that must be maintained by the D-SIBs. The buffer level varies between 0% and 2.5% of risk-weighted assets and stood at 1.75% as at April 30, 2019. OSFI has also been requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

During the quarter and six-month period ended April 30, 2019, the Bank was in compliance with all of OSFI's regulatory capital requirements.

Regulatory Capital and Ratios Under Basel III

	As at April 30, 2019	As at October 31, 2018
Capital		
CET1	9,092	8,608
Tier 1	11,896	11,410
Total	12,790	12,352
Risk-weighted assets		
CET1 capital	79,008	73,654
Tier 1 capital	79,008	73,670
Total capital	79,008	73,685
Total exposure	296,118	284,337
Capital ratios		
CET1	11.5 %	11.7 %
Tier 1	15.1 %	15.5 %
Total	16.2 %	16.8 %
Leverage ratio	4.0 %	4.0 %

Note 14 – Share-Based Payments

Stock Option Plan
During the quarters ended April 30, 2019 and 2018, the Bank did not award any stock options. During the six months ended April 30, 2019, the Bank awarded 2,116,892 stock options (1,836,348 stock options during the six months ended April 30, 2018) with an average fair value of $6.14 per option ($7.42 in 2018).

As at April 30, 2019, there were 13,728,085 stock options outstanding (13,064,746 stock options as at October 31, 2018).

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

	Six months ended April 30	
	2019	2018
Risk-free interest rate	2.50%	2.11%
Expected life of options	7 years	7 years
Expected volatility	18.40%	18.87%
Expected dividend yield	4.37%	3.80%

During the quarter ended April 30, 2019, a $3 million compensation expense was recorded for this plan ($3 million for the quarter ended April 30, 2018). During the first six months ended April 30, 2019, a $6 million compensation expense was recorded for this plan ($6 million for the six-month period ended April 30, 2018).

(unaudited) (millions of Canadian dollars)

Note 15 – Employee Benefits – Pension Plans and Other Post-Employment Benefits

The Bank offers defined benefit pension plans and other post-employment benefit plans to eligible employees. The cost associated with these plans, including the remeasurements recognized in *Other comprehensive income,* is presented in the following tables.

Cost for Pension Plans and Other Post-Employment Benefit Plans

				Quarter ended April 30
		Pension plans	Other post-employment benefit plans	
	2019	2018	**2019**	2018
Current service cost	**23**	29	**1**	1
Interest expense (income), net	**–**	1	**1**	2
Administrative expenses	**1**	1		
Expense recognized in *Net income*	**24**	31	**2**	3
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**211**	(66)	**8**	(3)
Return on plan assets(2)	**(237)**	73		
Remeasurements recognized in *Other comprehensive income*	**(26)**	7	**8**	(3)
	(2)	38	**10**	–

				Six months ended April 30
		Pension plans	Other post-employment benefit plans	
	2019	2018	**2019**	2018
Current service cost	**46**	57	**2**	2
Interest expense (income), net	**1**	2	**3**	4
Administrative expenses	**2**	2		
Expense recognized in *Net income*	**49**	61	**5**	6
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**435**	(66)	**17**	(3)
Return on plan assets(2)	**(399)**	24		
Remeasurements recognized in *Other comprehensive income*	**36**	(42)	**17**	(3)
	85	19	**22**	3

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

Note 16 – Income Taxes

In March 2019, the Bank received a written proposal (the Proposal) from the Canada Revenue Agency (CRA) proposing to reassess the Bank for additional income tax and interest of approximately $131 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2014.

The Bank was previously reassessed in 2018 and 2017 for additional income tax and interest (including provincial tax and interest) of approximately $130 million and $77 million, respectively, in respect of certain Canadian dividends received by the Bank during the 2013 and 2012 taxation years.

The transactions to which the Proposal and 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 Proposal and reassessments described above. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements as at April 30, 2019.

Note 17 – Earnings Per Share

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

	Quarter ended April 30		Six months ended April 30	
	2019	2018	**2019**	2018
Basic earnings per share				
Net income attributable to the Bank's shareholders	**539**	522	**1,075**	1,049
Dividends on preferred shares	**29**	26	**58**	48
Net income attributable to common shareholders	**510**	496	**1,017**	1,001
Weighted average basic number of common shares outstanding *(thousands)*	**335,478**	339,885	**335,599**	340,426
Basic earnings per share *(dollars)*	**1.52**	1.46	**3.03**	2.94
Diluted earnings per share				
Net income attributable to common shareholders	**510**	496	**1,017**	1,001
Weighted average basic number of common shares outstanding *(thousands)*	**335,478**	339,885	**335,599**	340,426
Adjustment to average number of common shares *(thousands)*				
Stock options(1)	**3,037**	4,015	**2,873**	4,191
Weighted average diluted number of common shares outstanding *(thousands)*	**338,515**	343,900	**338,472**	344,617
Diluted earnings per share *(dollars)*	**1.51**	1.44	**3.01**	2.90

(1) For the quarter ended April 30, 2019, the calculation of diluted earnings per share excluded an average number of 1,784,437 options outstanding with a weighted average exercise price of $64.14 (1,836,348 options outstanding with a weighted average exercise price of $64.14 for the quarter ended April 30, 2018), as the exercise price of these options was greater than the average price of the Bank's common shares. For the six months ended April 30, 2019, the calculation of diluted earnings per share excluded an average number of 1,791,880 options outstanding with a weighted average exercise price of $64.14 (1,430,525 options outstanding with a weighted average exercise price of $64.14 for the six months ended April 30, 2018).

Note 18 – Contingent Liabilities

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

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

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

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

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

Note 19 – Segment Disclosures

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

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

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

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

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

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

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

(unaudited) (millions of Canadian dollars)

Quarter ended April 30[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net interest income[2]	**577**	547	**112**	109	**185**	146	**159**	150	**(91)**	(67)	**942**	885
Non-interest income[2]	**256**	248	**314**	304	**219**	291	**19**	24	**20**	2	**828**	869
Total revenues	**833**	795	**426**	413	**404**	437	**178**	174	**(71)**	(65)	**1,770**	1,754
Non-interest expenses	**452**	445	**266**	260	**179**	176	**74**	62	**55**	49	**1,026**	992
Contribution	**381**	350	**160**	153	**225**	261	**104**	112	**(126)**	(114)	**744**	762
Provisions for credit losses	**63**	57	**–**	1	**7**	2	**14**	31	**–**	–	**84**	91
Income before income taxes (recovery)	**318**	293	**160**	152	**218**	259	**90**	81	**(126)**	(114)	**660**	671
Income taxes (recovery)[2]	**84**	78	**42**	40	**58**	69	**18**	18	**(100)**	(81)	**102**	124
Net income	**234**	215	**118**	112	**160**	190	**72**	63	**(26)**	(33)	**558**	547
Non-controlling interests	**–**	–	**–**	–	**–**	–	**12**	11	**7**	14	**19**	25
Net income attributable to the Bank's shareholders	**234**	215	**118**	112	**160**	190	**60**	52	**(33)**	(47)	**539**	522
Average assets	**111,910**	105,751	**6,154**	6,094	**109,485**	104,131	**10,600**	9,104	**45,023**	42,861	**283,172**	267,941

Six months ended April 30[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net interest income[3]	**1,166**	1,107	**240**	217	**262**	245	**317**	297	**(180)**	(147)	**1,805**	1,719
Non-interest income[3]	**519**	503	**620**	620	**552**	646	**32**	38	**41**	34	**1,764**	1,841
Total revenues	**1,685**	1,610	**860**	837	**814**	891	**349**	335	**(139)**	(113)	**3,569**	3,560
Non-interest expenses	**910**	888	**531**	529	**354**	352	**142**	122	**115**	125	**2,052**	2,016
Contribution	**775**	722	**329**	308	**460**	539	**207**	213	**(254)**	(238)	**1,517**	1,544
Provisions for credit losses	**121**	115	**–**	1	**10**	2	**41**	60	**–**	–	**172**	178
Income before income taxes (recovery)	**654**	607	**329**	307	**450**	537	**166**	153	**(254)**	(238)	**1,345**	1,366
Income taxes (recovery)[3]	**174**	162	**86**	81	**120**	143	**34**	40	**(179)**	(157)	**235**	269
Net income	**480**	445	**243**	226	**330**	394	**132**	113	**(75)**	(81)	**1,110**	1,097
Non-controlling interests	**–**	–	**–**	–	**–**	–	**22**	20	**13**	28	**35**	48
Net income attributable to the Bank's shareholders	**480**	445	**243**	226	**330**	394	**110**	93	**(88)**	(109)	**1,075**	1,049
Average assets	**111,521**	105,172	**6,326**	6,061	**106,974**	102,954	**10,523**	8,938	**45,924**	42,012	**281,268**	265,137

(1) For the quarter and six-month period ended April 30, 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 $45 million ($36 million in 2018), *Non-interest income* was grossed up by $35 million ($28 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 six-month period ended April 30, 2019, *Net interest income* was grossed up by $80 million ($74 million in 2018), *Non-interest income* was grossed up by $63 million ($49 million in 2018), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of the adjustments has been reversed under the *Other* heading.

Note 20 – Event After the Consolidated Balance Sheet Date

Disposal

On May 9, 2019, through one of its subsidiaries, the Bank disposed of 10,680,000 Class A subordinate voting shares of Fiera Capital Corporation (Fiera Capital) at a per-share price of $12.00 for gross proceeds of $128 million. Before the transaction, the Bank's investment in Fiera Capital stood at 18% and was accounted for using the equity method. After the transaction, the Bank's ownership percentage is now 7%. A gain on disposal of Fiera Capital shares of approximately $75 million ($65 million net of income taxes), including a gain on remeasurement at fair value of the retained interest of $30 million ($26 million net of income taxes) will be recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income. After the transaction, the Bank designated the 7% retained interest as a financial asset measured at fair value through other comprehensive income.

Information For Shareholders and Investors

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

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

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

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

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

Disclosure of Second Quarter 2019 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Thursday, May 30, 2019 at 1:00 p.m. EDT.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 9386188#.
- A recording of the conference call can be heard until June 27, 2019 by dialing 1-800-408-3053 or 905-694-9451. The access code is 8176842#.

Webcast
- The conference call will be webcast live at nbc.ca/investorrelations.
- A recording of the webcast will also be available on National Bank's website after the call.

Financial Documents
- The *Report to Shareholders* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Report to Shareholders*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital and Pillar 3 Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website the morning of the conference call.

Transfer Agent and Registrar
For information about stock transfers, address changes, dividends, lost certificates, tax forms, and estate transfers, shareholders of record may contact the transfer agent, Computershare Trust Company of Canada, at the address or telephone number below.

Computershare Trust Company of Canada
Share Ownership Management
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: *service@computershare.com*
Website: computershare.com

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

Direct Deposit Service for Dividends
Shareholders may elect to have their dividend payments deposited directly via electronic funds transfer to their bank account at any financial institution that is a member of the Canadian Payments Association. To do so, they must send a written request to the transfer agent, Computershare Trust Company of Canada.

Dividend Reinvestment and Share Purchase Plan
National Bank has a Dividend Reinvestment and Share Purchase Plan for Canadian holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Canadian participants acquire common shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of at least $1 per payment, up to a maximum of $5,000 per quarter.

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

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

NATIONAL BANK