Report to Shareholders — First Quarter 2022

National Bank reports its results for the First Quarter of 2022

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the first quarter ended January 31, 2022 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, February 25, 2022 – For the first quarter of 2022, National Bank is reporting net income of $932 million compared to $761 million in the first quarter of 2021. First-quarter diluted earnings per share stood at $2.65 compared to $2.15 in the first quarter of 2021. This growth was driven by year-over-year increases in the first-quarter total revenues of all the business segments, by reversals of allowances for credit losses on non-impaired loans given improvements in the macroeconomic outlook and in credit conditions, and by a reduction in provisions for credit losses on impaired loans. Income before provisions for credit losses and income taxes totalled $1,189 million in the first quarter of 2022 compared to $1,044 million in the first quarter of 2021, a 14% increase arising from good performance across all of the business segments.

"The Bank is entering fiscal 2022 on a positive note thanks to excellent performance by its business segments, strong regulatory capital, and adequate allowances for credit losses," said Laurent Ferreira, President and Chief Executive Officer of National Bank of Canada. "Solid revenue growth helped the Bank achieve a high return on equity in the first quarter," added Mr. Ferreira.

Highlights

(millions of Canadian dollars)			Quarter ended January 31
	2022	2021	% Change
Net income	932	761	22
Diluted earnings per share *(dollars)*	$ 2.65	$ 2.15	23
Income before provisions for credit losses and income taxes	1,189	1,044	14
Return on common shareholders' equity(1)	21.7 %	21.2 %	
Dividend payout ratio(1)	31.3 %	45.7 %	

	As at January 31, 2022	As at October 31, 2021
CET1 capital ratio under Basel III(2)	12.7 %	12.4 %
Leverage ratio under Basel III(2)	4.4 %	4.4 %

(1) See the Glossary section on pages 43 to 45 for details on the composition of these measures.
(2) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.

Personal and Commercial

- Net income totalled $317 million in the first quarter of 2022 versus $250 million in the first quarter of 2021, strong growth that was essentially driven by an increase in total revenues and lower provisions for credit losses.
- Income before provisions for credit losses and income taxes totalled $426 million in the first quarter of 2022, up 11% from $385 million in the first quarter of 2021.
- At $958 million, first-quarter total revenues rose $77 million or 9% year over year due to higher net interest income, which was up owing to loan and deposit growth (tempered by a lower net interest margin) and to higher non-interest income.
- Compared to a year ago, personal lending grew 9% and commercial lending grew 21%.
- Net interest margin(1) stood at 2.05% in the first quarter of 2022, down from 2.16% in the first quarter of 2021.
- First-quarter non-interest expenses stood at $532 million, up 7% from the first quarter of 2021.
- First-quarter provisions for credit losses were down $50 million compared to the first quarter of 2021, a decrease arising from reversals of allowances for credit losses on non-impaired loans and from a decrease in provisions for credit losses on impaired loans.
- At 55.5%, the efficiency ratio(1) improved from 56.3% in the first quarter of 2021.

Wealth Management

- Net income totalled $176 million in the first quarter of 2022, an 11% increase from $158 million in the first quarter of 2021.
- First-quarter total revenues amounted to $592 million compared to $518 million in first-quarter 2021, a $74 million or 14% increase driven mainly by growth in fee-based revenues.
- First-quarter non-interest expenses stood at $352 million compared to $305 million in first-quarter 2021, a 15% increase associated with revenue growth.
- At 59.5%, the efficiency ratio(1) compares to 58.9% in the first quarter of 2021.

Financial Markets

- Net income totalled $307 million in the first quarter of 2022 versus $255 million in the first quarter of 2021, a 20% increase that was essentially due to higher total revenues and lower provisions for credit losses.
- Income before provisions for credit losses and income taxes on a taxable equivalent basis totalled $402 million in the first quarter of 2022, up 10% from $367 million in the first quarter of 2021.
- First-quarter total revenues on a taxable equivalent basis reached a record $662 million, a $64 million or 11% year-over-year increase attributable to global markets revenue.
- First-quarter non-interest expenses stood at $260 million compared to $231 million in first-quarter 2021, an increase that was partly attributable to compensation and employee benefits as well as to operations support charges.
- $16 million in recoveries of credit losses were recorded in the first quarter of 2022, whereas $20 million in provisions for credit losses had been recorded in the first quarter of 2021, essentially due to lower provisions for credit losses on impaired loans.
- At 39.3%, the efficiency ratio(1) on a taxable equivalent basis compares to 38.6% in the first quarter of 2021.

U.S. Specialty Finance and International

- Net income totalled $148 million in the first quarter of 2022 versus $136 million in the first quarter of 2021, a 9% increase that was due to higher total revenues combined with lower non-interest expenses.
- First-quarter total revenues amounted to $285 million, a 4% year-over-year increase driven by revenue growth at the ABA Bank subsidiary, tempered by a decrease in revenues at the Credigy subsidiary.
- First-quarter non-interest expenses stood at $80 million, down 4% from first-quarter 2021.
- At 28.1%, the efficiency ratio(1) improved from 30.3% in the first quarter of 2021.

Other

- Net loss stood at $16 million in the first quarter of 2022 versus a net loss of $38 million in the first quarter of 2021, due to a decrease in non-interest expenses and an increase in total revenues.

Capital Management

- As at January 31, 2022, the Common Equity Tier 1 (CET1) capital ratio under Basel III(2) stood at 12.7%, up from 12.4% as at October 31, 2021.
- As at January 31, 2022, the Basel III(2) leverage ratio was 4.4%, unchanged from October 31, 2021.

(1) See the Glossary section on pages 43 to 45 for details on the composition of these measures.
(2) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.

Management's Discussion and Analysis

February 24, 2022

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of National Bank of Canada (the Bank). This analysis was prepared in accordance with the requirements set out in *National Instrument 51-102, Continuous Disclosure Obligations,* released by the Canadian Securities Administrators (CSA). It is based on the unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter ended January 31, 2022 and prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the quarter ended January 31, 2022 and with the *2021 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. Information on the Bank's website mentioned herein is not and should not be considered incorporated by reference into the Report to Shareholders, the Management's Discussion and Analysis, or the Consolidated Financial Statements.

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written forward-looking statements such as those contained in this document, in other filings with Canadian securities regulators, and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media, and others. All such statements are made in accordance with applicable securities legislation in Canada and the United States. Forward-looking statements in this document may include, but are not limited to, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, the Bank's objectives, outlook and priorities for fiscal year 2022 and beyond, the strategies or actions that will be taken to achieve them, expectations for the Bank's financial condition, the regulatory environment in which it operates, the potential impacts of—and the Bank's response to—the COVID-19 pandemic, and certain risks it faces. These forward-looking statements are typically identified by verbs or words such as "outlook", "believe", "foresee", "forecast", "anticipate", "estimate", "project", "expect", "intend" and "plan", in their future or conditional forms, notably verbs such as "will", "may", "should", "could" or "would" as well as similar terms and expressions. Such forward-looking statements are made for the purpose of assisting the holders of the Bank's securities in understanding the Bank's financial position and results of operations as at and for the periods ended on the dates presented, as well as the Bank's vision, strategic objectives, and financial performance targets, and may not be appropriate for other purposes.

By their very nature, these 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 2022, including in the context of the COVID-19 pandemic, and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives including provisions for credit losses. In determining its expectations for economic conditions, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the governments of Canada, the United States, and certain other countries in which the Bank conducts business, as well as their agencies.

There is a strong possibility that the Bank's express or implied predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that its assumptions may not be confirmed and that its vision, strategic objectives and financial performance targets will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors, many of which are beyond the Bank's control, including the impacts of the COVID-19 pandemic, could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these forward-looking statements. These risk factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, environmental and social risk, and certain emerging risks or risks deemed significant, all of which are described in greater detail in the Risk Management section beginning on page 69 of the *2021 Annual Report*. These risk factors also include, among others, the general economic environment and financial market conditions in Canada, the United States, and other countries where the Bank operates; exchange rate and interest rate fluctuations; higher funding costs and greater market volatility; changes made to fiscal, monetary, and other public policies; changes made to regulations that affect the Bank's business; geopolitical and sociopolitical uncertainty; the transition to a low-carbon economy and the Bank's ability to satisfy stakeholder expectations on environmental and social issues; significant changes in consumer behaviour; the housing situation, real estate market, and household indebtedness in Canada; the Bank's ability to achieve its long-term strategies and key short-term priorities; the timely development and launch of new products and services; the Bank's ability to recruit and retain key personnel; technological innovation and heightened competition from established companies and from competitors offering non-traditional services; changes in the performance and creditworthiness of the Bank's clients and counterparties; the Bank's exposure to significant regulatory matters or litigation; changes made to the accounting policies used by the Bank to report financial information, including the uncertainty inherent to assumptions and critical accounting estimates; changes to tax legislation in the countries where the Bank operates, i.e., primarily Canada and the United States; changes made to capital and liquidity guidelines as well as to the presentation and interpretation thereof; changes to the credit ratings assigned to the Bank; potential disruption to key suppliers of goods and services to the Bank; potential disruptions to the Bank's information technology systems, including evolving cyberattack risk as well as identity theft and theft of personal information; and possible impacts of major events affecting the local and global economies, including international conflicts, natural disasters, and public health crises such as the COVID-19 pandemic. The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section and in the COVID-19 Pandemic section of the *2021 Annual Report* and in this Report to Shareholders for the First Quarter of 2022, notably in the COVID-19 Pandemic section. 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.

COVID-19 Pandemic

Since March 11, 2020, the date on which the World Health Organization (WHO) declared that the COVID-19 outbreak constituted a pandemic, many countries, including Canada, deployed substantial protective measures to prevent overcrowding at health services and to strengthen preventive hygiene. These lockdown and social distancing measures, which included the closing of aerial, maritime, and land borders, were taken to prevent new outbreaks.

During the fiscal years ended October 31, 2021 and 2020, some of the restrictions imposed at the start of the pandemic were eased, but subsequent waves of COVID-19 forced authorities in a number of countries, including those in Canada, to reintroduce lockdown measures, effectively shutting down parts of the economy again. The authorities in many countries, including those in Canada, are actively working to ensure that widespread vaccination coverage is achieved as quickly as possible. However, uncertainty remains regarding the long-term effectiveness of the vaccines, the acceptance thereof by the public, and the anticipated reduction of infection rates, especially given a rise in cases linked to more contagious COVID-19 variants in recent months. Certain measures by the public health authorities in Canada are expected to remain in place to continue limiting the spread of COVID-19 and its variants.

In Canada, banking services are considered essential services and have therefore been maintained despite the lockdown and social distancing measures. Given the current economic and social conditions, the Bank is committed to supporting its employees, clients, and communities.

The Bank is continuing to closely monitor the potential impacts of the COVID-19 pandemic. It is not possible to predict the full impacts that the pandemic will have on the global economy, on the countries in which the Bank operates, on the Bank's clients, and on the Bank itself, including its business activities, results of operations, financial position, regulatory capital and liquidity ratios, reputation, and ability to satisfy regulatory requirements. The actual impacts will depend on future events that are highly uncertain, including the extent, severity, and duration of the COVID-19 pandemic, and on the effectiveness of actions and measures taken by governments, monetary authorities, and regulators over the long term.

For additional information on the impact of the COVID-19 risk factor, on relief measures offered to the Bank's clients, and on the measures introduced by regulators, see the COVID-19 Pandemic section on pages 16 to 18 of the *2021 Annual Report*.

A number of the relief measures offered to the Bank's clients at the start of the pandemic ended in 2020, although some measures were being offered as part of various government programs in which the Bank is participating. These measures consist mainly of loans backed by government guarantees, particularly for businesses operating in sectors hit hardest by the pandemic. In the normal course of business, the Bank is continuing to address the specific needs of its clients to support them during this unprecedented crisis.

Economic Review and Outlook

Global Economy

A study out of South Africa—one of the first countries affected by the Omicron variant—suggested that Omicron would be a very intense but relatively short wave of the pandemic. It is reassuring to see that such a scenario did play out in other countries. In all probability, the peak of infections has passed in the developed nations, allowing the economy to gradually reopen. Global growth undoubtedly suffered in the first quarter of the year, but it should be able to recover a substantial amount of lost ground in the months ahead, assuming that the situation remains under control in emerging economies, which were somewhat spared by Omicron but remain at risk given their slow vaccination rates. The global economy's ability to recover from the hit it took at the start of the year will also depend on decisions made by the Kremlin. In recent weeks, tens of thousands of Russian troops have massed at the Ukraine border and are now threatening to march on Kyiv. It would be foolish to claim to know what Russia intends to do, but an invasion would almost certainly lead to significant economic disruptions worldwide. Given these risk factors, we have revised our global growth forecast slightly downward. We anticipate 4.0%(1) economic growth in 2022 and 3.6%(1) in 2023.

The U.S. economy was well positioned at the end of 2021, as GDP increased by 6.9% on an annualized basis and unemployment fell below 4.0%. But when we turn our attention to the current quarter, the news is less encouraging. The Omicron variant seems to have rocked the boat in early 2022. The public health measures implemented in the United States are much less restrictive than those in other parts of the world, but there is no denying that the virus is continuing to affect growth by reducing the labour pool. High inflation is another cause of the economic slowdown. In this context, we anticipate modest growth in the first three months of 2022. However, this should not prevent the U.S. Federal Reserve from raising the policy rate in March for the first time in this cycle. For the whole year, we foresee 3.1%(1) expansion followed by a solid rebound. In fact, in the medium term, consumption should continue to contribute to growth if, as we believe, inflation starts to fall and households spend the excess savings accumulated during the pandemic.

Canadian Economy

First-quarter growth in Canada will be dampened by public health restrictions. The Canadian economy shed 200,000 jobs in January, the sharpest one-year drop. Yet, if industries directly affected by the health restrictions are excluded, the country's employment situation remained resilient, showing that once again widespread contagion has been avoided. We expect this to be a temporary slump limited to specific industries given the labour shortage in other economic sectors. The Bank of Canada's *Business Outlook Survey* (BOS) shows that hiring intentions were at an all-time high in December, which bodes well for a strong economic recovery, especially since health restrictions have begun to be lifted. The robust labour market and resulting revenue increases suggest that consumer spending will be the main growth driver in the coming quarters despite the higher cost of living—especially borrowing costs. Canadian households could spend some of their excess savings amassed since the start of the pandemic. The tight labour market could also prompt companies to invest, as highlighted by the BOS, which points to a record level of planned investments. Where governments are concerned, there is nothing to suggest a period of austerity in the short term with a minority government in Ottawa and provincial elections to be held in Canada's two largest provinces. We expect the Bank of Canada to raise interest rates by 125 basis points this year, which appears to be sufficient to quell activity in some industries, notably the real estate sector. We forecast 3.6%(1) growth this year (4.6% in 2021)—a rate of growth that remains well above the growth potential.

Quebec Economy

Quebec imposed the strictest health measures with the greatest potential to stymie first-quarter economic growth. However, in our view, this temporary slump will be limited to sectors directly affected by the public health measures, as was the case during previous waves of the pandemic. Before the public health measures were enacted, Quebec had the lowest unemployment rate of the four largest Canadian provinces. The current labour shortage should encourage a rebound in corporate investment in the coming quarters. Home sales and housing starts have become more tempered but remain high on a historical basis. We remain optimistic for the 2022 growth outlook considering Quebec's highly diversified economy, the government's fiscal leeway, and the fact that Quebec households are in a better financial position than elsewhere in Canada due to lower household debt. More affordable housing prices are less vulnerable to a correction in the event of an interest rate hike. After expanding by 6.2% in 2021, the Quebec economy is expected to see more tempered 2.6%(1) growth in 2022.

(1) GDP growth forecasts, National Bank Financial's Economics and Strategy group.

Financial Reporting Method

The Bank's consolidated financial statements are prepared in accordance with IFRS, as issued by the 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, which represent Canadian GAAP. None of the OSFI accounting requirements are exceptions to IFRS.

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2021. This presentation reflects the fact that the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which had previously been reported in the Personal and Commercial segment, are now reported in the Financial Markets segment. The Bank made this change to better align the monitoring of its activities with its management structure.

Non-GAAP and Other 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. *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) prescribes disclosure requirements that apply to the following measures used by the Bank:

- non-GAAP financial measures;
- non-GAAP ratios;
- supplementary financial measures;
- capital management measures.

Non-GAAP Financial Measures
The Bank uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Bank's operations. The Bank excludes certain specified items that are inherently unpredictable from its results. In addition, 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 non-GAAP financial measures used by the Bank are as follows: Adjusted net interest income, adjusted non-interest income, adjusted total revenues, adjusted non-interest expenses, adjusted income before provisions for credit losses and income taxes, adjusted income before income taxes, adjusted income taxes, adjusted net income, adjusted non-controlling interests, adjusted net income attributable to the Bank's shareholders and holders of other equity instruments, adjusted basic earnings per share and adjusted diluted earnings per share. A quantitative reconciliation of these measures is presented in the Reconciliation of Non-GAAP Financial Measures table on page 8 and in the Consolidated Results table on page 10.

Non-GAAP Ratios
The Bank uses non-GAAP ratios that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. A non-GAAP ratio is a ratio in which at least one component is a non-GAAP financial measure. The Bank uses non-GAAP ratios to present aspects of its financial performance or financial position, including adjusted efficiency ratio, adjusted operating leverage, adjusted return on common shareholders' equity, and adjusted dividend payout ratio. For additional information about the composition of these ratios, see the Glossary section on pages 43 to 45 of this MD&A.

Supplementary Financial Measures
A supplementary financial measure is a financial measure that: (a) is not reported in the Bank's consolidated financial statements, and (b) is, or is intended to be, reported periodically to represent historical or expected financial performance, financial position, or cash flows. The composition of these supplementary financial measures is presented in table footnotes or in the Glossary section on pages 43 to 45 of this MD&A.

Capital Management Measures

The financial reporting framework used to prepare the financial statements requires disclosure that help readers assess the Bank's capital management objectives, policies, and processes, as set out in IFRS in IAS 1 – *Presentation of Financial Statements.* The Bank has its own methods for managing capital and liquidity, and IFRS does not prescribe any particular calculation method. These measures are calculated using various guidelines and advisories issued by OSFI, which are based on the standards, recommendations, and best practices of the Basel Committee on Banking Supervision (BCBS), as presented in the following table.

OSFI guideline or advisory	Measure
Capital Adequacy Requirements	Common Equity Tier 1 (CET1) capital ratio Tier 1 capital ratio Total capital ratio CET1 capital Tier 1 capital Tier 2 capital Total capital Risk-weighted assets Maximum credit risk exposure under the Basel asset classes
Leverage Requirements	Leverage ratio Total exposure
Liquidity Adequacy Requirements	Liquid asset portfolio Encumbered and unencumbered assets Liquidity coverage ratio (LCR) High-quality liquid assets (HQLA) Cash inflows/outflows and net cash outflows Net stable funding ratio (NSFR) Available stable funding items Required stable funding items
Total Loss Absorbing Capacity (TLAC)	Key indicators – TLAC requirements TLAC ratio TLAC leverage ratio
Global Systemically Important Banks (G-SIBs) – Public Disclosure Requirements	G-SIB indicators

Reconciliation of Non-GAAP Financial Measures

Presentation of Results – Adjusted

(millions of Canadian dollars) Quarter ended January 31

						2022	2021
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Net interest income	669	119	339	270	(65)	1,332	1,207
Taxable equivalent	–	–	59	–	1	60	54
Net interest income – Adjusted	669	119	398	270	(64)	1,392	1,261
Non-interest income	289	473	260	15	97	1,134	1,017
Taxable equivalent	–	–	4	–	–	4	3
Non-interest income – Adjusted	289	473	264	15	97	1,138	1,020
Total revenues – Adjusted	958	592	662	285	33	2,530	2,281
Non-interest expenses	532	352	260	80	53	1,277	1,180
Income before provisions for credit losses and income taxes – Adjusted	426	240	402	205	(20)	1,253	1,101
Provisions for credit losses	(5)	–	(16)	18	1	(2)	81
Income before income taxes – Adjusted	431	240	418	187	(21)	1,255	1,020
Income taxes	114	64	48	39	(6)	259	202
Taxable equivalent	–	–	63	–	1	64	57
Income taxes – Adjusted	114	64	111	39	(5)	323	259
Net income	317	176	307	148	(16)	932	761
Non-controlling interests	–	–	–	–	–	–	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	317	176	307	148	(16)	932	761

Highlights

(millions of Canadian dollars, except per share amounts)			Quarter ended January 31
	2022	2021	% Change
Operating results			
Total revenues	2,466	2,224	11
Income before provisions for credit losses and income taxes	1,189	1,044	14
Net income	932	761	22
Net income attributable to the Bank's shareholders and holders of other equity instruments	932	761	22
Return on common shareholders' equity(1)	21.7 %	21.2 %	
Earnings per share			
Basic	$ 2.68	$ 2.16	24
Diluted	2.65	2.15	23
Operating results – Adjusted(2)			
Total revenues – Adjusted(2)	2,530	2,281	11
Income before provisions for credit losses and income taxes – Adjusted(2)	1,253	1,101	14
Net income – Adjusted(2)	932	761	22
Return on common shareholders' equity – Adjusted(3)	21.7 %	21.2 %	
Operating leverage – Adjusted(3)	2.7 %	4.0 %	
Efficiency ratio – Adjusted(3)	50.5 %	51.7 %	
Earnings per share – Adjusted(2)			
Basic	$ 2.68	$ 2.16	24
Diluted	2.65	2.15	23
Common share information			
Dividends declared	$ 0.87	$ 0.71	
Book value(1)	50.23	41.48	
Share price			
High	105.44	73.81	
Low	94.37	65.54	
Close	101.70	71.87	
Number of common shares *(thousands)*	338,367	336,770	
Market capitalization	34,412	24,204	

(millions of Canadian dollars)	As at January 31, 2022	As at October 31, 2021	% Change
Balance sheet and off-balance-sheet			
Total assets	366,888	355,795	3
Loans and acceptances, net of allowances	188,080	182,689	3
Deposits	247,095	240,938	3
Equity attributable to common shareholders	16,996	16,203	5
Assets under administration(1)	654,538	651,530	–
Assets under management(1)	118,205	117,186	1
Regulatory ratios under Basel III(4)			
Capital ratios			
Common Equity Tier 1 (CET1)	12.7 %	12.4 %	
Tier 1	15.2 %	15.0 %	
Total	16.1 %	15.9 %	
Leverage ratio	4.4 %	4.4 %	
TLAC ratio(4)	27.8 %	26.3 %	
TLAC leverage ratio(4)	8.0 %	7.8 %	
Liquidity coverage ratio (LCR)(4)	149 %	154 %	
Net stable funding ratio (NSFR)(4)	117 %	117 %	
Other information			
Number of employees – Worldwide	27,804	26,920	3
Number of branches in Canada	385	384	–
Number of banking machines in Canada	937	927	1

(1) See the Glossary section on pages 43 to 45 for details on the composition of these measures.
(2) See the Financial Reporting Method section on pages 6 to 8 for additional information on non-GAAP financial measures.
(3) See the Financial Reporting Method section on pages 6 to 8 and see the Glossary section on pages 43 to 45 for additional information on non-GAAP ratios.
(4) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.

Financial Analysis

Consolidated Results

(millions of Canadian dollars)	Quarter ended January 31		
	2022	2021	% Change
Operating results			
Net interest income	1,332	1,207	10
Non-interest income	1,134	1,017	12
Total revenues	2,466	2,224	11
Non-interest expenses	1,277	1,180	8
Income before provisions for credit losses and income taxes	1,189	1,044	14
Provisions for credit losses	(2)	81	
Income before income taxes	1,191	963	24
Income taxes	259	202	28
Net income	932	761	22
Diluted earnings per share *(dollars)*	2.65	2.15	23
Taxable equivalent basis(1)			
Net interest income	60	54	
Non-interest income	4	3	
Income taxes	64	57	
Impact of taxable equivalent basis on net income	–	–	
Operating results – Adjusted(1)			
Net interest income – Adjusted	1,392	1,261	10
Non-interest income – Adjusted	1,138	1,020	12
Total revenues – Adjusted	2,530	2,281	11
Non-interest expenses – Adjusted	1,277	1,180	8
Income before provisions for credit losses and income taxes – Adjusted	1,253	1,101	14
Provisions for credit losses	(2)	81	
Income before income taxes – Adjusted	1,255	1,020	23
Income taxes – Adjusted	323	259	25
Net income – Adjusted	932	761	22
Diluted earnings per share – Adjusted *(dollars)*	2.65	2.15	23
Average assets(2)	388,859	358,113	9
Average loans and acceptances(2)	185,757	165,588	12
Average deposits(2)	254,818	227,641	12
Operating leverage – Adjusted(3)	2.7 %	4.0 %	
Efficiency ratio – Adjusted(3)	50.5 %	51.7 %	

(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on non-GAAP financial measures.
(2) Represents an average of the daily balances for the period.
(3) See the Financial Reporting Method section on pages 6 to 8 and see the Glossary section on pages 43 to 45 for additional information on non-GAAP ratios.

Financial Results

For the first quarter of 2022, the Bank is reporting net income of $932 million compared to $761 million in the first quarter of 2021. First-quarter diluted earnings per share stood at $2.65 compared to $2.15 in the first quarter of 2021. This growth was driven by year-over-year increases in the first-quarter total revenues of all the business segments, by reversals of allowances for credit losses on non-impaired loans given improvements in the macroeconomic outlook and in credit conditions, and by a reduction in provisions for credit losses on impaired loans. Income before provisions for credit losses and income taxes totalled $1,189 million in the first quarter of 2022 compared to $1,044 million in the first quarter of 2021, a 14% increase arising from good performance across all of the business segments.

Return on common shareholders' equity was 21.7% for the quarter ended January 31, 2022 compared to 21.2% in the same quarter of 2021.

Total Revenues

For the first quarter of 2022, the Bank's total revenues amounted to $2,466 million, up $242 million or 11% from the same quarter of 2021. In the Personal and Commercial segment, first-quarter total revenues rose 9% year-over-year owing to loan and deposit growth (tempered by a lower net interest margin) as well as to increases in credit card revenues, insurance revenues, revenues from bankers' acceptances, and internal commission revenues related to the distribution of Wealth Management products. In the Wealth Management segment, first-quarter total revenues grew 14% year over year, resulting mainly from an increase in fee-based revenues related to growth in average assets under administration and under management. In the Financial Markets segment, first-quarter total revenues on a taxable equivalent basis increased by 11% year over year due to an increase in global markets revenues, tempered by a decrease in corporate and investment banking revenues. In the USSF&I segment, first-quarter total revenues were up 4% year over year owing to a sustained increase in ABA Bank's revenues as a result of business growth, partly offset by a decrease in Credigy's revenues, notably due to downward remeasurements of certain loan portfolios that had been remeasured upward during the first quarter in 2021. In addition, during the first quarter of 2021, a gain had been realized upon a disposal of Credigy loan portfolios. For the *Other* heading of segment results, total revenues in the first quarter of 2022 included higher gains on investments than those recorded in first-quarter 2021.

Non-Interest Expenses

For the first quarter of 2022, the Bank's non-interest expenses stood at $1,277 million, an 8% year-over-year increase that came essentially from higher compensation and employee benefits, notably due to wage growth and a greater number of employees, as well as to the variable compensation associated with revenue growth. In addition, technology expenses, including amortization, increased as a result of significant technology investment made by the Bank for its transformation plan and for business development purposes. These increases were tempered by a decrease in certain expenses, in particular a $20 million reversal of the provision for the compensatory tax on salaries paid in Quebec, as well as a decrease in the expenses incurred by the Bank to take measures in response to COVID-19.

Provisions for Credit Losses

For the first quarter of 2022, the Bank recorded $2 million in recoveries of credit losses compared to $81 million in provisions for credit losses recorded in the first quarter of 2021. This decrease was partly due to reversals of allowances for credit losses on non-impaired loans given improvements in the macroeconomic outlook and in credit conditions during the first quarter of 2022. Also for the first quarter of 2022, there were year-over-year decreases in the provisions for credit losses recorded on impaired loans by Commercial Banking, the Financial Markets segment, and the Credigy subsidiary, notably purchased or originated credit-impaired (POCI) loans. As for the first-quarter provisions for credit losses on impaired loans at the ABA Bank subsidiary, they increased year over year.

Income Taxes

For the first quarter of 2022, income taxes stood at $259 million compared to $202 million in the first quarter of 2021. The 2022 first-quarter effective income tax rate was 22% compared to 21% in the first quarter of 2021. The change in the effective tax rate stems from a slightly higher proportion of tax-exempt dividend income in the first quarter of 2021.

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. Other operating activities, certain specified items, Treasury activities, and the activities of the Flinks Technology Inc. (Flinks) subsidiary are grouped in the *Other* heading. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy.

Personal and Commercial

(millions of Canadian dollars)	Quarter ended January 31		
	2022	2021[1]	% Change
Operating results			
Net interest income	669	629	6
Non-interest income	289	252	15
Total revenues	958	881	9
Non-interest expenses	532	496	7
Income before provisions for credit losses and income taxes	426	385	11
Provisions for credit losses	(5)	45	
Income before income taxes	431	340	27
Income taxes	114	90	27
Net income	317	250	27
Net interest margin[2]	2.05 %	2.16 %	
Average interest-bearing assets[2]	129,670	115,740	12
Average assets[3]	136,288	120,640	13
Average loans and acceptances[3]	135,371	120,240	13
Net impaired loans[2]	216	308	(30)
Net impaired loans as a % of loans and acceptances[2]	0.2 %	0.3 %	
Average deposits[3]	80,066	73,774	9
Efficiency ratio[2]	55.5 %	56.3 %	

(1) For the quarter ended January 31, 2021, certain amounts have been reclassified, in particular amounts of the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which were transferred from the Personal and Commercial segment to the Financial Markets segment.
(2) See the Glossary section on pages 43 to 45 for details on the composition of these measures.
(3) Represents an average of the daily balances for the period.

In the Personal and Commercial segment, net income totalled $317 million in the first quarter of 2022 compared to $250 million in the first quarter of 2021. The increase was driven by growth in total revenues and by lower provisions for credit losses on non-impaired loans given an improved macroeconomic outlook and more favourable credit conditions as well as by a decrease in provisions for credit losses on impaired loans. The segment's first-quarter income before provisions for credit losses and income taxes grew 11% year over year. The first-quarter net interest income grew 6% as a result of personal and commercial loan and deposit growth, which more than offset a lower net interest margin, which was 2.05% in first-quarter 2022 compared to 2.16% in first-quarter 2021. Furthermore, the segment's first-quarter non-interest income was up $37 million or 15% year over year.

Personal Banking's first-quarter total revenues were up $32 million year over year. The increase was generated by credit card revenues, insurance revenues, and internal commission revenues related to the distribution of Wealth Management products. Commercial Banking's first-quarter total revenues grew $45 million year over year, mainly due to an increase in net interest income driven by loan and deposit growth, and also due to increases in revenues from foreign exchange activities and in revenues from derivative financial instruments and bankers' acceptances.

For the first quarter of 2022, the Personal and Commercial segment's non-interest expenses stood at $532 million, a 7% year-over-year increase that was mainly due to increases in compensation and employee benefits and in operations support charges as well as to a higher amortization expense related to the segment's investments. At 55.5%, the first-quarter efficiency ratio improved by 0.8 percentage points compared to the first quarter of 2021. For the first quarter of 2022, the segment recorded $5 million in recoveries of credit losses compared to $45 million in provisions for credit losses recorded in the first quarter of 2021. This improvement stems mainly from Commercial Banking as a result of reversals of allowances for credit losses on non-impaired loans given an improved macroeconomic outlook and more favourable credit conditions in the first quarter of 2022 as well as from lower provisions for credit losses on impaired loans. Personal Banking's first-quarter provisions for credit losses (including credit card receivables) remained stable compared to the first quarter of 2021.

Wealth Management

(millions of Canadian dollars) Quarter ended January 31

	2022	2021[1]	% Change
Operating results			
Net interest income	119	109	9
Fee-based revenues	372	304	22
Transaction-based and other revenues	101	105	(4)
Total revenues	592	518	14
Non-interest expenses	352	305	15
Income before provisions for credit losses and income taxes	240	213	13
Provisions for credit losses	–	(2)	
Income before income taxes	240	215	12
Income taxes	64	57	12
Net income	176	158	11
Average assets[2]	8,136	6,537	24
Average loans and acceptances[2]	6,953	5,384	29
Net impaired loans[3]	16	3	
Average deposits[2]	34,018	34,887	(2)
Assets under administration[3]	654,538	559,206	17
Assets under management[3]	118,205	97,057	22
Efficiency ratio[3]	59.5 %	58.9 %	

(1) For the quarter ended January 31, 2021, certain amounts have been reclassified.
(2) Represents an average of the daily balances for the period.
(3) See the Glossary section on pages 43 to 45 for details on the composition of these measures.

In the Wealth Management segment, net income totalled $176 million in the first quarter of 2022, an 11% increase from $158 million in the first quarter of 2021. The segment's first-quarter total revenues amounted to $592 million versus $518 million in the first quarter of 2021, a $74 million or 14% increase that was due to a 22% increase in fee-based revenues, attributable to growth in average assets under administration and assets under management as a result of net inflows into the various solutions and stronger stock market performance, as well as to a 9% increase in net interest income driven mainly by growth in loan volumes. As for first-quarter transaction-based and other revenues, they decreased 4% year over year due to lower commissions on transactions in the first quarter of 2022.

For the first quarter of 2022, Wealth Management's non-interest expenses stood at $352 million, a 15% year-over-year increase that was due to higher compensation and employee benefits, notably the variable compensation associated with the segment's revenue growth, as well as to higher external management fees and operations support charges. At 59.5%, the segment's first-quarter efficiency ratio compares to 58.9% in the first quarter of 2021. The segment's provisions for credit losses were nil in the first quarter of 2022, whereas $2 million in recoveries of credit losses on impaired loans had been recorded during the first quarter of 2021.

Financial Markets

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

	Quarter ended January 31		
	2022	2021(2)	% Change
Operating results			
Global markets			
Equities	283	201	41
Fixed-income	110	116	(5)
Commodities and foreign exchange	40	38	5
	433	355	22
Corporate and investment banking	229	243	(6)
Total revenues(1)	662	598	11
Non-interest expenses	260	231	13
Income before provisions for credit losses and income taxes	402	367	10
Provisions for credit losses	(16)	20	
Income before income taxes	418	347	20
Income taxes(1)	111	92	21
Net income	307	255	20
Average assets(3)	157,761	152,444	3
Average loans and acceptances(3) (Corporate Banking only)	20,219	19,769	2
Net impaired loans(4)	4	59	(93)
Average deposits(3)	47,452	39,932	19
Efficiency ratio(4)	39.3 %	38.6 %	

(1) The *Total revenues* and *Income taxes* items of the Financial Markets segment are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists in grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. *Total revenues* were grossed up by $63 million ($56 million in 2021) and an equivalent amount was recognized in *Income taxes*. The effect of these adjustments is reversed under the *Other* heading.
(2) For the quarter ended January 31, 2021, certain amounts have been reclassified, in particular amounts of the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which were transferred from the Personal and Commercial segment to the Financial Markets segment.
(3) Represents an average of the daily balances for the period.
(4) See the Glossary section on pages 43 to 45 for details on the composition of these measures.

In the Financial Markets segment, net income totalled $307 million in the first quarter of 2022, up 20% from $255 million in the first quarter of 2021. First-quarter total revenues amounted to $662 million, up $64 million or 11% from $598 million in the first quarter of 2021. First-quarter global markets revenues were up 22%, as revenues from equities rose 41%. As for first-quarter corporate and investment banking revenues, they were down 6% year over year, mainly due to a decrease in banking service revenues.

For the first quarter of 2022, Financial Markets' non-interest expenses stood at $260 million, a 13% year-over-year increase that was due to higher compensation and employee benefits, notably the variable compensation associated with the segment's revenue growth, as well as to higher technology investment expenses and operations support charges. At 39.3%, the first-quarter efficiency ratio compares to 38.6% in the same quarter of 2021. The segment recorded $16 million in recoveries of credit losses in the first quarter of 2022 compared to $20 million in provisions for credit losses in the first quarter of 2021. This decrease was due to a $27 million year-over-year decrease in provisions for credit losses on impaired loans as well as to higher reversals of allowances for credit losses on non-impaired loans in the first quarter of 2022 given an improved macroeconomic outlook and more favourable credit conditions.

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

(millions of Canadian dollars)		Quarter ended January 31	
	2022	2021	% Change
Total revenues			
Credigy	126	155	(19)
ABA Bank	158	119	33
International	1	–	
	285	274	4
Non-interest expenses			
Credigy	33	39	(15)
ABA Bank	47	44	7
International	–	–	
	80	83	(4)
Income before provisions for credit losses and income taxes	205	191	7
Provisions for credit losses			
Credigy	14	16	(13)
ABA Bank	4	2	100
	18	18	–
Income before income taxes	187	173	8
Income taxes			
Credigy	17	21	(19)
ABA Bank	22	16	38
	39	37	5
Net income			
Credigy	62	79	(22)
ABA Bank	85	57	49
International	1	–	
	148	136	9
Average assets(1)	17,974	15,545	16
Average loans and receivables(1)	14,387	11,945	20
Net impaired loans – Stage 3(2)	51	30	70
Purchased or originated credit-impaired (POCI) loans	422	722	(42)
Average deposits(1)	7,896	6,175	28
Efficiency ratio(2)	28.1 %	30.3 %	

(1) Represents an average of the daily balances for the period.
(2) See the Glossary section on pages 43 to 45 for details on the composition of these measures.

In the USSF&I segment, net income totalled $148 million in the first quarter of 2022, a 9% increase from $136 million in the first quarter of 2021. The segment's first-quarter total revenues amounted to $285 million versus $274 million in the first quarter of 2021, an $11 million or 4% increase driven by a $39 million increase in revenues at the ABA Bank subsidiary, tempered by a $29 million decrease in revenues at the Credigy subsidiary.

Credigy
The Credigy subsidiary's net income totalled $62 million for the first quarter of 2022, down $17 million or 22% year over year. Credigy's first-quarter total revenues amounted to $126 million compared to $155 million in first-quarter 2021, when a $26 million gain was realized on the disposal of loan portfolios and favourable fair value remeasurements of certain portfolios were recorded. Non-interest expenses stood at $33 million in the first quarter of 2022, a $6 million decrease that was essentially due to lower variable compensation given the higher revenues recorded in the first quarter of 2021. Credigy's first-quarter provisions for credit losses were down $2 million compared to the same quarter in 2021.

ABA Bank
The ABA Bank subsidiary's net income totalled $85 million in the first quarter of 2022, up $28 million or 49% year over year. ABA Bank's first-quarter total revenues grew 33% year over year owing to sustained loan and deposit growth, partly offset by lower interest rates. The subsidiary's first-quarter non-interest expenses stood at $47 million, up $3 million year over year. Provisions for credit losses for the first quarter of 2022 totalled $4 million compared to $2 million in the first quarter of 2021, an increase that stems essentially from provisions for credit losses on impaired loans.

Other

(millions of Canadian dollars)	Quarter ended January 31	
	2022	2021(1)
Operating results		
Net interest income(2)	(124)	(86)
Non-interest income(2)	93	39
Total revenues	(31)	(47)
Non-interest expenses	53	65
Income before provisions for credit losses and income taxes	(84)	(112)
Provisions for credit losses	1	–
Income before income taxes	(85)	(112)
Income taxes (recovery)(2)	(69)	(74)
Net loss	(16)	(38)
Non-controlling interests	–	–
Net loss attributable to the Bank's shareholders and holders of other equity instruments	(16)	(38)
Average assets(3)	68,700	62,947

(1) For the quarter ended January 31, 2021, certain amounts have been reclassified.
(2) *Net interest income* was reduced by $60 million ($54 million in 2021), *Non-interest income* was reduced by $4 million ($3 million in 2021), and an equivalent amount was recorded in *Income taxes*. These adjustments include a reversal of the taxable equivalent of the Financial Markets segment and the *Other* heading. Taxable equivalent basis is a calculation method that consists in grossing up certain tax-exempt income by the amount of income tax that would have otherwise been payable.
(3) Represents an average of the daily balances for the period.

For the *Other* heading of segment results, there was a net loss of $16 million in the first quarter of 2022 compared to a net loss of $38 million in the same quarter of 2021. This change in net loss came from higher gains on investments recorded in the first quarter of 2022, from a decrease in non-interest expenses, notably a $20 million reversal of the provision for the compensatory tax on salaries paid in Quebec, and from a decrease in the expenses incurred by the Bank to take measures in response to COVID-19. These decreases in expenses were partly offset by higher compensation and employee benefits as well as higher technology investment expenses.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at January 31, 2022	As at October 31, 2021	% Change
Assets			
Cash and deposits with financial institutions	40,063	33,879	18
Securities	98,742	106,304	(7)
Securities purchased under reverse repurchase agreements and securities borrowed	15,178	7,516	102
Loans and acceptances, net of allowances	188,080	182,689	3
Other	24,825	25,407	(2)
	366,888	355,795	3
Liabilities and equity			
Deposits	247,095	240,938	3
Other	99,378	95,233	4
Subordinated debt	766	768	–
Equity attributable to the Bank's shareholders and holders of other equity instruments	19,646	18,853	4
Non-controlling interests	3	3	–
	366,888	355,795	3

Assets

As at January 31, 2022, the Bank had total assets of $366.9 billion, an $11.1 billion or 3% increase from $355.8 billion as at October 31, 2021. Cash and deposits with financial institutions, totalling $40.1 billion as at January 31, 2022, increased by $6.2 billion, mainly due to deposits with the U.S. Federal Reserve. The high level of cash and deposits with financial institutions came partly from the liquidity obtained as part of financing initiatives deployed by the Canadian government in 2020, through the Bank of Canada, to support the Canadian financial system in response to COVID-19.

Securities totalled $98.7 billion as at January 31, 2022, decreasing $7.6 billion since October 31, 2021 due to a $7.1 billion or 8% decrease in securities at fair value through profit or loss, essentially equity securities and securities issued or guaranteed by U.S. Treasury, other U.S. agencies, and other foreign governments. Securities purchased under reverse repurchase agreements and securities borrowed rose $7.7 billion, mainly related to the activities of the Financial Markets segment and of Treasury.

Totalling $188.1 billion as at January 31, 2022, loans and acceptances, net of allowances for credit losses, rose $5.4 billion or 3% since October 31, 2021. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	**As at January 31, 2022**	As at October 31, 2021	As at January 31, 2021
Loans and acceptances			
Residential mortgage and home equity lines of credit	**101,483**	99,146	91,345
Personal	**14,855**	14,449	13,220
Credit card	**2,039**	2,150	1,846
Business and government	**70,631**	67,942	62,428
	189,008	183,687	168,839
Allowances for credit losses	**(928)**	(998)	(1,149)
	188,080	182,689	167,690

Since October 31, 2021, residential mortgages (including home equity lines of credit) rose $2.4 billion or 2% given sustained demand for mortgage credit in the Personal and Commercial segment and at the ABA Bank subsidiary; personal loans were up owing to the activities of Personal Banking and ABA Bank; credit card receivables were down slightly, as COVID-19 affected consumer spending; and loans and acceptances to business and government were up $2.7 billion or 4% given business growth at Commercial Banking and in corporate financial services.

Since January 31, 2021, loans and acceptances, net of allowances for credit losses, rose $20.4 billion or 12%; residential mortgages (including home equity lines of credit) were up $10.2 billion or 11% due to sustained demand for mortgage credit and to business growth at ABA Bank; and personal loans grew $1.7 billion owing to the activities of Personal Banking and ABA Bank, partly offset by repayments of Credigy loan portfolios. Also since January 31, 2021, credit card receivables grew $0.2 billion as consumer spending resumed, and loans and acceptances to business and government rose $8.2 billion or 13% owing essentially to the activities of Commercial Banking, corporate financial services, and the Credigy subsidiary.

Impaired loans include loans classified in Stage 3 of the expected credit loss model and the purchased or originated credit-impaired (POCI) loans of the Credigy subsidiary. As at January 31, 2022, gross impaired loans excluding POCI loans stood at $608 million compared to $662 million as at October 31, 2021. Net impaired loans excluding POCI loans stood at $287 million as at January 31, 2022 compared to $283 million as at October 31, 2021, a $4 million increase related mainly to increases in net impaired loans in the Commercial Banking and ABA Bank loan portfolios. This increase was partly offset by a decrease in the net impaired loans of the Personal Banking and Financial Markets' loan portfolios. Gross POCI loans stood at $422 million as at January 31, 2022, whereas they had stood at $464 million as at October 31, 2021, as a result of repayments and maturities of certain loan portfolios.

Other assets totalled $24.8 billion as at January 31, 2022, a $0.6 billion decrease since October 31, 2021 that was mainly due to a decrease in derivative financial instruments.

Liabilities

As at January 31, 2022, the Bank had total liabilities of $347.2 billion compared to $336.9 billion as at October 31, 2021.

The Bank's total deposit liability stood at $247.1 billion as at January 31, 2022 compared to $240.9 billion as at October 31, 2021, rising $6.2 billion or 3%. As at January 31, 2022, personal deposits stood at $71.2 billion, rising $1.1 billion since October 31, 2021. This increase came mainly from business growth in Personal Banking and at ABA Bank.

Business and government deposits stood at $172.6 billion as at January 31, 2022, rising $4.7 billion since October 31, 2021. This increase came from Treasury funding activities, including $1.5 billion in deposits subject to bank recapitalization (bail-in) conversion regulations, tempered by a decrease in business and government deposits from Commercial Banking activities. At $3.3 billion as at January 31, 2022, deposits from deposit-taking institutions rose $0.3 billion since October 31, 2021.

Other liabilities stood at $99.4 billion as at January 31, 2022, rising $4.2 billion since October 31, 2021, as an $8.0 billion increase in obligations related to securities sold under repurchase agreements and securities loaned was tempered by a $3.6 billion decrease in derivative financial instruments.

Equity

As at January 31, 2022, equity attributable to the Bank's shareholders and holders of other equity instruments was $19.6 billion, rising $0.7 billion since October 31, 2021. This increase was due to net income net of dividends, to the issuance of common shares under the Stock Option Plan, to remeasurements of pension plans and other post-employment benefit plans, and to accumulated other comprehensive income, notably net unrealized foreign currency translation gains on investments in foreign operations. These increases were partly offset by repurchases of common shares for cancellation.

Exposures to Certain Activities

The recommendations made by the Financial Stability Board's Enhanced Disclosure Task Force (EDTF) seek to enhance the transparency and measurement of certain exposures, in particular structured entities, subprime and Alt-A exposures, collateralized debt obligations, residential and commercial mortgage-backed securities, and leveraged financing structures. The Bank does not market any specific mortgage financing program to subprime or Alt-A clients. The Bank does not have any significant direct position in residential and commercial mortgage-backed securities that are not insured by the Canadian Mortgage and Housing Corporation (CMHC). Credit derivative positions are presented in the *Supplementary Regulatory Capital and Pillar 3 Disclosure* report, which is available on the Bank's website at nbc.ca.

Leveraged finance is commonly employed to achieve a specific objective, for example, to make an acquisition, complete a buy-out, or repurchase shares. Leveraged finance risk exposure takes the form of both funded and unfunded commitments. As at January 31, 2022, total commitments for this type of loan stood at $4,202 million ($4,048 million as at October 31, 2021). Details about other exposures are provided in the table on structured entities in Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2021.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2021. For additional information, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2021.

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 under amounts other than their notional or contractual values. These arrangements include, among others, transactions with structured entities, derivative financial instruments, the 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 57 and 58 of the *2021 Annual Report*.

For additional information on guarantees, commitments and structured entities, see Notes 26 and 27 to the audited annual consolidated financial statements for the year ended October 31, 2021. For additional information about financial assets transferred but not derecognized, see Note 6 to these consolidated financial statements.

Capital Management

Capital management has a dual role of ensuring a competitive return to the Bank's shareholders while maintaining a solid capital foundation that covers risks inherent to the Bank's business, supports its business segments, and protects its clients. The Bank's capital management policy defines guiding principles as well as the roles and responsibilities of its internal capital adequacy assessment process. This process aims to determine the capital that the Bank needs to pursue its business activities and accommodate unexpected losses arising from extremely adverse economic and operational conditions. For additional information on the capital management framework, see the Capital Management section on pages 59 to 68 of the Bank's *2021 Annual Report*.

Basel Accord

The Bank and all other major Canadian banks have to maintain minimum capital ratios established by OSFI: a CET1 capital ratio of at least 10.5%, a Tier 1 capital ratio of at least 12.0%, and a Total capital ratio of at least 14.0%. For additional information on the ratio calculations, see page 60 of the *2021 Annual Report*. All of these ratios are to include a capital conservation buffer of 2.5% established by the BCBS and OSFI as well as a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs) and a 2.5% domestic stability buffer established by OSFI. The domestic stability buffer, which can vary from 0% to 2.5% of risk-weighted assets, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. Banks also have to meet the capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 70% of the capital requirement as calculated under Basel II, the difference is added to risk-weighted assets. OSFI requires Canadian banks to meet a Basel III leverage ratio of at least 3.0%. The leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure.

In addition to those measures, OSFI is requiring that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. Instruments issued before January 1, 2013 that would be Basel III compliant if not for the absence of the NVCC clause are grandfathered and will be phased out over a ten-year period. As at January 31, 2022, the Bank has one remaining non-NVCC Tier 2 subordinated debt capital instrument, which has now been completely phased out of regulatory capital.

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. Since November 1, 2021, OSFI has been requiring D-SIBs to maintain a risk-based TLAC ratio of at least 24.0% (including the domestic stability buffer) of risk-weighted assets and a TLAC leverage ratio of at least 6.75%. The Bank began issuing qualifying bail-in debt during the fiscal year ended October 31, 2019 such that its TLAC ratios would improve through the normal refinancing of its maturing unsecured term debt. As at January 31, 2022, outstanding liabilities of $13.4 billion ($11.9 billion as at October 31, 2021) were subject to conversion under the bail-in regulations.

Requirements – Regulatory Ratios Under Basel III

							As at January 31, 2022
	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	Minimum set by OSFI[1]	Domestic stability buffer[2]	Minimum set by OSFI[1], including the buffer
Capital ratios							
CET1	4.5 %	2.5 %	7.0 %	1.0 %	8.0 %	2.5 %	10.5 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	9.5 %	2.5 %	12.0 %
Total	8.0 %	2.5 %	10.5 %	1.0 %	11.5 %	2.5 %	14.0 %
Leverage ratio	3.0 %	n.a.	n.a.	n.a.	3.0 %	n.a.	3.0 %

n.a. Not applicable
(1) The capital ratios include the capital conservation buffer and the D-SIB surcharge.
(2) On December 10, 2021, OSFI confirmed that the domestic stability buffer was being maintained at 2.5%.

The Bank ensures that its capital levels are always above the minimum capital requirements set by OSFI, including the domestic stability buffer. 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. Also available on the Bank's website is a complete list of capital instruments and their main features.

Regulatory Developments

The Bank closely monitors regulatory developments and participates actively in various consultative processes. On March 27, 2020, in response to the impact of the COVID-19 pandemic, OSFI announced a series of regulatory adjustments to support the financial and operational resilience of banks. For additional information, see the section entitled COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities on page 17 of the *2021 Annual Report*. For additional information on the regulatory context on October 31, 2021, see pages 62 and 63 of the Capital Management section in the *2021 Annual Report.* In addition, since November 1, 2021, the below-described regulatory developments should also be considered.

On November 29, 2021, OSFI postponed the implementation of the final Basel III reforms to the second quarter of 2023. The implementation date of the revised market risk framework and the credit valuation adjustment (CVA) risk framework remains the first quarter of 2024. OSFI also announced the details of its final policy positions on a series of key topics associated with guidelines that were the subject of extensive consultations in the spring of 2021.

On January 31, 2022, OSFI released its final capital and liquidity rules that incorporate the final Basel III reforms, and on February 7, 2022, OSFI published corresponding changes to the regulatory returns, i.e., the *Basel Capital Adequacy Return* (BCAR) and the *Leverage Requirements Return* (LRR).

Management Activities

On November 4, 2021, OSFI amended its capital distribution expectations, namely, by permitting financial institutions to increase regular dividends and, subject to OSFI approval, buy back shares.

On November 30, 2021, the Bank's Board of Directors approved a quarterly dividend increase on common shares of 16 cents for the first quarter of fiscal 2022 as well as a normal course issuer bid to repurchase for cancellation, which began on December 10, 2021, up to 7,000,000 common shares (representing approximately 2% of its common shares outstanding) over a 12-month period ending December 9, 2022. This normal course issuer bid was approved by OSFI and the Toronto Stock Exchange (TSX) on December 8, 2021. During the first quarter ended January 31, 2022, the Bank repurchased 500,000 common shares under this program for $48 million, which reduced *Common share* capital by $5 million and *Retained earnings* by $43 million.

Shares, Other Equity Instruments, and Stock Options

	As at January 31, 2022	
	Number of shares or LRCN[(1)]	$ million
First preferred shares		
Series 30	14,000,000	350
Series 32	12,000,000	300
Series 38	16,000,000	400
Series 40	12,000,000	300
Series 42	12,000,000	300
	66,000,000	1,650
Other equity instruments		
LRCN – Series 1	500,000	500
LRCN – Series 2	500,000	500
	1,000,000	1,000
	67,000,000	2,650
Common shares	338,367,242	3,208
Stock options	12,258,358	

(1) Limited Recourse Capital Notes (LRCN).

As at February 18, 2022, there were 338,299,727 common shares and 12,196,776 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, LRCNs, 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 765 million Bank common shares, which would have a 69.3% dilutive effect based on the number of Bank common shares outstanding as at January 31, 2022.

Dividends

On February 24, 2022, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 87 cents per common share payable on May 1, 2022 to shareholders of record on March 28, 2022.

Movement in Regulatory Capital[1]

(millions of Canadian dollars)	Quarter ended January 31, 2022
Common Equity Tier 1 (CET1) capital	
Balance at beginning	12,973
Issuance of common shares (including Stock Option Plan)	37
Impact of shares purchased or sold for trading	11
Repurchase of common shares	(48)
Other contributed surplus	4
Dividends on preferred and common shares and distributions on other equity instruments	(322)
Net income attributable to the Bank's shareholders and holders of other equity instruments	932
Removal of own credit spread (net of income taxes)	(73)
Other	124
Movements in accumulated other comprehensive income	
Translation adjustments	82
Debt securities at fair value through other comprehensive income	(43)
Change in goodwill and intangible assets (net of related tax liability)	(18)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	(85)
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Deferred tax assets, unless they result from temporary differences (net of related tax liability)	–
Other deductions or regulatory adjustments to CET1 implemented by OSFI[2]	(59)
Change in other regulatory adjustments	–
Balance at end	13,515
Additional Tier 1 capital	
Balance at beginning	2,649
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	2,649
Total Tier 1 capital	16,164
Tier 2 capital	
Balance at beginning	1,021
New Tier 2 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Tier 2 subject to phase-out	–
Tier 2 instruments issued by subsidiaries and held by third parties	–
Change in certain allowances for credit losses	22
Other, including regulatory adjustments and transitional arrangements	(84)
Balance at end	959
Total regulatory capital	17,123

(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) This item includes the transitional measure applicable to expected credit loss provisioning. For additional information, see the section entitled COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities on page 17 of the *2021 Annual Report*.

Risk-Weighted Assets by Key Risk Drivers
Risk-weighted assets (RWA) amounted to $106.2 billion as at January 31, 2022 compared to $104.4 billion as at October 31, 2021, a $1.8 billion increase resulting mainly from organic growth in RWA and from foreign exchange movements. The changes in the Bank's RWA by risk type are presented in the following table.

Movement of Risk-Weighted Assets by Key Drivers[1]

(millions of Canadian dollars) Quarter ended

			January 31, 2022	October 31, 2021
	Non-counterparty credit risk	Counterparty credit risk	Total	Total
Credit risk – Risk-weighted assets at beginning	77,755	9,458	87,213	85,914
Book size	1,174	(172)	1,002	1,944
Book quality	(16)	(6)	(22)	(430)
Model updates	29	–	29	(7)
Methodology and policy	–	–	–	–
Acquisitions and disposals	–	–	–	–
Foreign exchange movements	562	105	667	(208)
Credit risk – Risk-weighted assets at end	79,504	9,385	88,889	87,213
Market risk – Risk-weighted assets at beginning			3,770	4,072
Movement in risk levels[2]			(272)	(302)
Model updates			–	–
Methodology and policy			–	–
Acquisitions and disposals			–	–
Market risk – Risk-weighted assets at end			3,498	3,770
Operational risk – Risk-weighted assets at beginning			13,375	13,153
Movement in risk levels			406	222
Acquisitions and disposals			–	–
Operational risk – Risk-weighted assets at end			13,781	13,375
Risk-weighted assets at end			106,168	104,358

(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) Also includes foreign exchange rate movements that are not considered material.

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

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

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

The *Model updates* item is used to reflect implementations of new models, changes in model scope, and any other change applied to address model malfunctions. During the quarter ended January 31, 2022, the Bank updated the model used for retail lines of credit.

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

Regulatory Capital Ratios

As at January 31, 2022, the Bank's CET1, Tier 1, and Total capital ratios were, respectively, 12.7%, 15.2% and 16.1%, i.e., above the regulatory requirements, compared to ratios of, respectively, 12.4%, 15.0% and 15.9% as at October 31, 2021. The increase in all capital ratios since October 31, 2021 was essentially due to net income net of dividends and common share issuances under the Stock Option Plan. These factors were partly offset by the organic growth in RWA, the common share repurchases, and the impact of the transitional measures applicable to ECL provisioning, of which the scaling factor decreased to 25% from 50%. As at January 31, 2022, the leverage ratio was 4.4%, stable compared to October 31, 2021. The growth in Tier 1 capital was partly offset by the growth in total exposure, which continues to benefit from the temporary measures provided by OSFI with respect to the exclusion of exposures from central bank reserves.

Regulatory Capital and Ratios Under Basel III(1)

(millions of Canadian dollars)	As at January 31, 2022		As at October 31, 2021	
	Adjusted(2)		Adjusted(2)	
Capital				
CET1	**13,467**	**13,515**	12,866	12,973
Tier 1	**16,116**	**16,164**	15,515	15,622
Total	**17,123**	**17,123**	16,643	16,643
Risk-weighted assets	**106,168**	**106,168**	104,358	104,358
Total exposure	**367,775**	**367,775**	351,160	351,160
Capital ratios				
CET1	**12.7 %**	**12.7 %**	12.3 %	12.4 %
Tier 1	**15.2 %**	**15.2 %**	14.9 %	15.0 %
Total	**16.1 %**	**16.1 %**	15.9 %	15.9 %
Leverage ratio	**4.4 %**	**4.4 %**	4.4 %	4.4 %
TLAC ratio(3)	**27.8 %**	**27.8 %**	26.3 %	26.3 %
TLAC leverage ratio(3)	**8.0 %**	**8.0 %**	7.8 %	7.8 %

(1) Regulatory capital and ratios are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements* guideline.
(2) Adjusted regulatory capital and ratios are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements* guideline, and exclude the transitional measure for provisioning expected credit losses. For additional information, see the section entitled COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities on page 17 of the *2021 Annual Report*.
(3) The TLAC ratio and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity* guideline.

Global Systemically Important Banks – Public Disclosure Requirements

On July 3, 2013, the BCBS published *Global Systemically Important Banks: Assessment Methodology and the Additional Loss Absorbency Requirement*, which describes the annual assessment methodology and indicators used by the BCBS and the Financial Stability Board to evaluate global systemically important banks (G-SIBs). On July 5, 2018, the BCBS published a revised version that provides an update to the assessment methodology. The document also sets out the annual public disclosure requirements applicable to large globally active banks.

In September 2015, OSFI published an advisory entitled *Global Systemically Important Banks – Public Disclosure Requirements* addressing the implementation of G-SIB public disclosure requirements in Canada. On August 13, 2021, OSFI published a revised version of its advisory that takes into consideration the updated assessment methodology used to identify global systemically important banks published by the BCBS on July 5, 2018. The new disclosure requirements, which take effect as of first-quarter 2022, consist of a new trading volume indicator and the inclusion of insurance activities for certain existing indicators. Canadian banks, including the Bank, which have not been identified as G-SIBs and whose total exposure (as calculated using the Basel III leverage ratio) is greater than the equivalent of 200 billion euros at year-end, are required to publish the indicators annually. The indicators, updated annually, are calculated and presented based on specific instructions issued by the BCBS. As a result, values may not be directly comparable against other measures disclosed in this report. The following table provides the indicators used in BCBS's assessment methodology for evaluating G-SIBs.

Indicators – Global Systemically Important Banks (G-SIBs)(1)

(millions of Canadian dollars)		As at October 31	
Category	Indicators	2021	2020
Cross-jurisdictional activity(2)	Cross-jurisdictional claims	87,661	82,516
	Cross-jurisdictional liabilities	65,214	62,282
Size(3)	Total exposures as defined for use in the Basel III leverage ratio(4)	387,725	359,980
Interconnectedness(5)	Intra-financial system assets(4)	50,614	40,412
	Intra-financial system liabilities(4)	40,301	28,938
	Securities outstanding(4)	105,213	82,474
Substitutability / financial institutions infrastructure(6)	Payment activity(7)	14,059,326	14,045,497
	Assets under custody	651,345	596,656
	Underwritten transactions in debt and equity markets	35,658	35,095
	Trading volume(8)		
	Fixed-income securities(8)	740,927	
	Equities and other securities(8)	1,289,087	
Complexity(9)	Notional amount of over-the-counter derivative financial instruments(4)	1,481,260	1,177,539
	Trading and investment securities	52,941	45,988
	Level 3 financial assets(4)	1,077	1,232

(1) As at October 31, 2021, the G-SIB indicators were prepared using the methodology prescribed in the BCBS guidelines published in July 2018 and in the instructions provided by BCBS in January 2022. As at October 31, 2020, the G-SIB indicators had been prepared using the methodology prescribed in the BCBS guidelines published in July 2013 and in the instructions provided by BCBS in January 2021. The indicators are based on the scope of regulatory consolidation unless indicated otherwise.
(2) Represents the Bank's level of interaction outside Canada.
(3) Represents the Bank's total on-and-off balance sheet exposures as determined by OSFI's Basel III leverage ratio rules before regulatory adjustments.
(4) Includes insurance activities. The comparative figures have not been restated to reflect this change.
(5) Represents transactions with other financial institutions.
(6) Represents the extent to which the Bank's services could be substituted by other institutions.
(7) For the fiscal years ended October 31, 2021 and 2020.
(8) Trading volume is a new indicator in effect for the fiscal year ended October 31, 2021 as per OSFI's revised advisory entitled *Global Systemically Important Bank – Public Disclosure Requirements*. This new indicator consists of two sub-indicators: fixed-income securities as well as equities and other securities. OSFI is not requiring comparative figures to be reported for this new indicator.
(9) Includes the level of complexity and volume of the Bank's trading activities represented through derivative financial instruments, trading securities, investment securities, and Level 3 financial assets.

Risk Management

Risk-taking is intrinsic to a financial institution's business. The Bank views risk as an integral part of its development and the diversification of its activities. It advocates a risk management approach consistent with its business strategy. The Bank voluntarily exposes itself to certain risk categories, particularly credit and market risk, in order to generate revenue. It assumes certain risks that are inherent to its activities—to which it does not choose to expose itself—and that do not generate revenue, i.e., mainly operational risks.

The Bank continues to monitor the impacts and potential consequences of the COVID-19 pandemic. From its onset, the pandemic has had disruptive and adverse effects in the countries where the Bank does business and, more broadly, on the global economy. COVID-19 has also shed light, and could continue to shed light, on several top and emerging risks to which the Bank is exposed. Despite this exceptional situation, risks are being rigorously managed. Decision-making is being guided by risk assessments aligned with the Bank's risk appetite as well as with prudent levels of capital and liquidity. The purpose of sound and effective risk management is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds, to control the volatility in the Bank's results, and to ensure that risk-taking contributes to the creation of shareholder value. The Bank's governance structure for risk management has remained largely unchanged from that described in the *2021 Annual Report.*

Despite the exercise of stringent risk management and the mitigation measures in place, risk cannot be eliminated entirely, and residual risks may occasionally cause significant losses. Certain risks are discussed hereafter. For additional information, see the section entitled COVID-19 Pandemic – Impact of the COVID-19 Risk Factor on page 16 of the *2021 Annual Report* and to the Risk Management section on pages 69 to 107 of the *2021 Annual Report.* Risk management information is also provided in Note 5 to these consolidated financial statements, which covers loans.

Credit Risk

Credit risk is the risk of incurring a financial loss if an obligor does not fully honour its contractual commitments to the Bank. Obligors may be debtors, issuers, counterparties, or guarantors. Credit risk is the most significant risk facing the Bank in the normal course of business. Obligors have been affected by the economic environment resulting from COVID-19 and its impact on global and local economies. This exceptional situation has led to significant changes in the overall market environment, including business closures and temporary layoffs. However, certain government measures have been implemented to assist retail and business clients affected by COVID-19.

Regulatory Developments

On December 17, 2021, OSFI confirmed the qualifying rate for uninsured mortgages (i.e., residential mortgages with a down payment of 20% or more) will remain as the greater of the mortgage contract interest rate plus 2% and a minimum floor of 5.25%.

OSFI is well aware that the country's post-pandemic economic recovery must be backed by a strong financial system capable of supporting the Canadian population in the current environment and that real estate market conditions in Canada could heighten the financial risk weighing on lenders. The minimum qualifying interest rate provides an additional level of safety to ensure that borrowers have the ability to make mortgage payments should circumstances change, e.g., in the case of reduced income or a rise in interest rates.

The amounts shown in the following tables 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(1)

(millions of Canadian dollars)								As at January 31, 2022
	Drawn(2)	Undrawn commitments	Repo-style transactions(3)	Derivative financial instruments	Other off-balance-sheet items(4)	Total	Standardized approach(5)	AIRB approach
Retail								
Residential mortgages	66,582	10,892	–	–	–	77,474	9 %	91 %
Qualifying revolving retail	2,138	6,122	–	–	–	8,260	– %	100 %
Other retail	15,987	2,569	–	–	31	18,587	31 %	69 %
	84,707	19,583	–	–	31	104,321		
Non-retail								
Corporate	73,638	28,402	33,764	192	5,260	141,256	10 %	90 %
Sovereign	60,756	6,154	62,151	296	133	129,490	2 %	98 %
Financial institutions	6,408	126	75,006	2,939	638	85,117	28 %	72 %
	140,802	34,682	170,921	3,427	6,031	355,863		
Trading portfolio	–	–	–	16,397	–	16,397	1 %	99 %
Securitization	3,134	–	–	–	4,029	7,163	75 %	25 %
Total – Gross credit risk	228,643	54,265	170,921	19,824	10,091	483,744	12 %	88 %
Standardized approach(5)	27,500	252	25,489	2,932	3,776	59,949		
AIRB approach	201,143	54,013	145,432	16,892	6,315	423,795		
Total – Gross credit risk	228,643	54,265	170,921	19,824	10,091	483,744	12 %	88 %

(millions of Canadian dollars)								As at October 31, 2021
	Drawn(2)	Undrawn commitments	Repo-style transactions(3)	Derivative financial instruments	Other off-balance-sheet items(4)	Total	Standardized approach(5)	AIRB approach
Retail								
Residential mortgages	66,791	10,578	–	–	–	77,369	9 %	91 %
Qualifying revolving retail	2,270	6,282	–	–	–	8,552	– %	100 %
Other retail	15,519	2,481	–	–	31	18,031	29 %	71 %
	84,580	19,341	–	–	31	103,952		
Non-retail								
Corporate	70,589	27,783	26,190	161	5,415	130,138	11 %	89 %
Sovereign	55,323	6,217	58,452	294	83	120,369	2 %	98 %
Financial institutions	7,228	126	72,122	2,248	619	82,343	28 %	72 %
	133,140	34,126	156,764	2,703	6,117	332,850		
Trading portfolio	–	–	–	17,010	–	17,010	– %	100 %
Securitization	3,269	–	–	–	4,206	7,475	68 %	32 %
Total – Gross credit risk	220,989	53,467	156,764	19,713	10,354	461,287	13 %	87 %
Standardized approach(5)	25,009	258	26,385	2,203	3,955	57,810		
AIRB approach	195,980	53,209	130,379	17,510	6,399	403,477		
Total – Gross credit risk	220,989	53,467	156,764	19,713	10,354	461,287	13 %	87 %

(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) Excludes equity securities and certain other assets such as investments in deconsolidated subsidiaries and joint ventures, right-of-use properties and assets, goodwill, deferred tax assets, and intangible assets.
(3) Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.
(4) 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.
(5) Includes exposures to qualifying central counterparties (QCCP).

To meet OSFI's mortgage loan disclosure requirements, additional information has been provided in *Supplementary Financial Information – First Quarter 2022* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – First Quarter 2022,* which are available on the Bank's website at nbc.ca.

Market Risk

Market risk is the risk of losses arising from movements in market prices. The Bank is exposed to market risk through its participation in trading, investment, and asset/liability management activities. As a result of the COVID-19 pandemic and its impact on global and local economies, the Bank faces a volatile environment. At its onset, the pandemic sent stock markets into sharp decline and rendered them more volatile, pushed interest rates downwards, triggered a rapid and sudden rise in unemployment, and prompted an economic slowdown. Governments, monetary authorities, and regulators intervened to support the economy and the financial system, notably by deploying fiscal and monetary measures designed to increase liquidity and support incomes. Although the global economy recovered during fiscal 2021, if the COVID-19 pandemic persists, in particular through subsequent waves, its impacts on the global economy could worsen, and the measures in place might not be sufficient over the long term to completely avoid recessionary conditions.

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

Reconciliation of Market Risk With Consolidated Balance Sheet Items

(millions of Canadian dollars)					As at January 31, 2022
		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	40,063	157	20,849	19,057	Interest rate(3)
Securities					
At fair value through profit or loss	77,689	75,991	1,698	–	Interest rate(3) and equity
At fair value through other comprehensive income	8,042	–	8,042	–	Interest rate(3) and equity(4)
At amortized cost	13,011	–	13,011	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	15,178	–	15,178	–	Interest rate(3)(5)
Loans and acceptances, net of allowances	188,080	8,163	179,917	–	Interest rate(3)
Derivative financial instruments	15,333	14,814	519	–	Interest rate and exchange rate
Defined benefit asset	820	–	820	–	Other
Other	8,672	–	–	8,672	
	366,888	99,125	240,034	27,729	
Liabilities					
Deposits	247,095	14,648	232,447	–	Interest rate(3)
Acceptances	6,768	–	6,768	–	Interest rate(3)
Obligations related to securities sold short	20,529	20,529	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	25,304	–	25,304	–	Interest rate(3)(5)
Derivative financial instruments	15,810	15,595	215	–	Interest rate and exchange rate
Liabilities related to transferred receivables	25,107	8,585	16,522	–	Interest rate(3)
Defined benefit liability	138	–	138	–	Other
Other	5,722	–	76	5,646	Interest rate(3)
Subordinated debt	766	–	766	–	Interest rate(3)
	347,239	59,357	282,236	5,646	

(1) Trading positions whose risk measures are VaR as well as total SVaR. For additional information, see the table in the pages ahead and in the Market Risk section of the *2021 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total SVaR.
(2) Non-trading positions that use other risk measures.
(3) For additional information, see the table in the pages ahead and in the Market Risk section of the *2021 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total SVaR and the interest rate sensitivity table.
(4) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 2 and 4 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, 2021
		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	33,879	401	16,518	16,960	Interest rate(3)
Securities					
At fair value through profit or loss	84,811	82,995	1,816	–	Interest rate(3) and equity(4)
At fair value through other comprehensive income	9,583	–	9,583	–	Interest rate(3) and equity(5)
Amortized cost	11,910	–	11,910	–	Interest rate(3)
Securities purchased under reverse repurchase agreements and securities borrowed	7,516	–	7,516	–	Interest rate(3)(6)
Loans and acceptances, net of allowances	182,689	7,827	174,862	–	Interest rate(3)
Derivative financial instruments	16,484	16,033	451	–	Interest rate(7) and exchange rate(7)
Defined benefit asset	691	–	691	–	Other(8)
Other	8,232	–	–	8,232	
	355,795	107,256	223,347	25,192	
Liabilities					
Deposits	240,938	14,215	226,723	–	Interest rate(3)
Acceptances	6,836	–	6,836	–	Interest rate(3)
Obligations related to securities sold short	20,266	20,266	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	17,293	–	17,293	–	Interest rate(3)(6)
Derivative financial instruments	19,367	18,999	368	–	Interest rate(7) and exchange rate(7)
Liabilities related to transferred receivables	25,170	9,058	16,112	–	Interest rate(3)
Defined benefit liability	143	–	143	–	Other(8)
Other	6,158	–	113	6,045	Interest rate(3)
Subordinated debt	768	–	768	–	Interest rate(3)
	336,939	62,538	268,356	6,045	

(1) Trading positions whose risk measures are VaR as well as total SVaR. For additional information, see the table on the following page and in the Market Risk section of the *2021 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total SVaR.
(2) Non-trading positions that use other risk measures.
(3) For additional information, see the table on the next page and in the Market Risk section of the *2021 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total SVaR and the interest rate sensitivity table.
(4) For additional information, see Note 6 to the audited annual consolidated financial statements for the year ended October 31, 2021.
(5) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 2 and 4 to these consolidated financial statements.
(6) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.
(7) For additional information, see Notes 16 and 17 to the audited annual consolidated financial statements for the year ended October 31, 2021.
(8) For additional information, see Note 23 to the audited annual consolidated financial statements for the year ended October 31, 2021.

Trading Activities

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

VaR and SVaR of Trading Portfolios[(1)(2)]

(millions of Canadian dollars)								Quarter ended
				January 31, 2022	October 31, 2021		January 31, 2021	
	Low	High	Average	Period end	Average	Period end	Average	Period end
Interest rate	(4.0)	(11.3)	(7.2)	(11.3)	(6.4)	(8.2)	(7.3)	(7.9)
Exchange rate	(0.4)	(4.6)	(1.6)	(0.9)	(1.0)	(0.9)	(0.9)	(1.1)
Equity	(4.0)	(9.6)	(6.2)	(6.6)	(6.4)	(6.0)	(6.2)	(9.4)
Commodity	(0.5)	(1.6)	(0.8)	(0.6)	(1.1)	(1.4)	(0.8)	(0.7)
Diversification effect[(3)]	n.m.	n.m.	9.1	12.3	8.2	11.3	7.6	9.7
Total trading VaR	(4.6)	(9.5)	(6.7)	(7.1)	(6.7)	(5.2)	(7.6)	(9.4)
Total trading SVaR	(5.1)	(14.7)	(9.1)	(8.1)	(11.2)	(9.5)	(15.7)	(21.3)

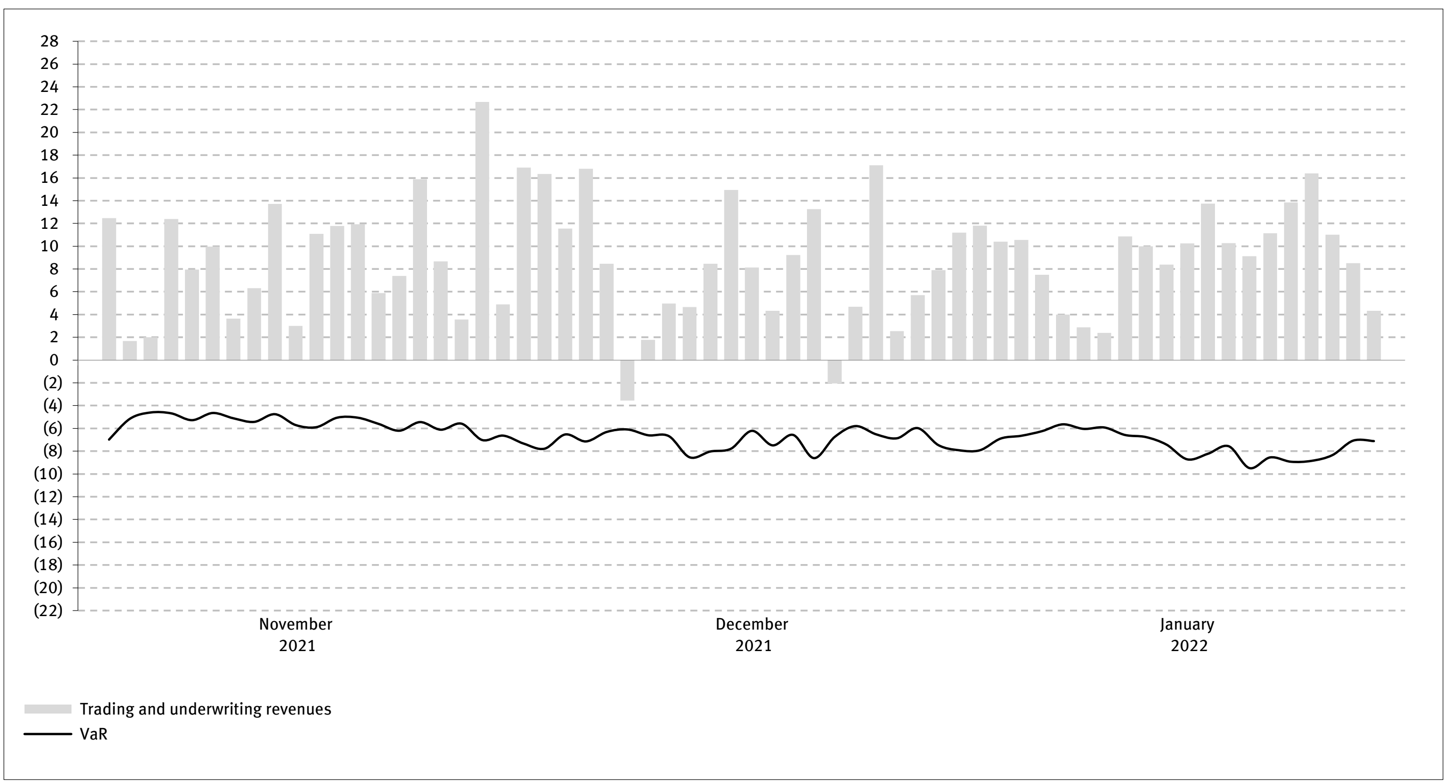
n.m. Computation of a diversification effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.
(1) See the Glossary section on pages 43 to 45 for details on the composition of these measures.
(2) Amounts are presented on a pre-tax basis and represent one-day VaR and SVaR using a 99% confidence level.
(3) The total trading VaR is less than the sum of the individual risk factor VaR results due to the diversification effect.

Between the fourth quarter of 2021 and the first quarter of 2022, the average total trading VaR remained stable, whereas the average total trading SVaR decreased given that the diversification effect increased between risk factors.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. During the quarter ended January 31, 2022, daily trading and underwriting revenues were positive 97% of the days. Two trading days were marked by daily trading and underwriting net losses of more than $1 million. Neither of these losses exceeded the VaR.

Quarter Ended January 31, 2022
(millions of Canadian dollars)



Interest Rate Sensitivity – Non-Trading Activities (Before Tax)
The following table presents the potential before-tax impact of an immediate and sustained 100-basis-point increase or of an immediate and sustained 25-basis-point decrease in interest rates on the economic value of equity and on the net interest income of the Bank's non-trading portfolios for the next 12 months, assuming no further hedging is undertaken. In the current environment of very low interest rates, the Bank believes that a sensitivity analysis reflecting an immediate and sustained 25-basis-point decrease in interest rates provides more relevant information.

(millions of Canadian dollars)		As at January 31, 2022			As at October 31, 2021	
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
Impact on equity						
100-basis-point increase in the interest rate	(307)	14	(293)	(277)	39	(238)
25-basis-point decrease in the interest rate	73	(2)	71	67	(9)	58
Impact on net interest income						
100-basis-point increase in the interest rate	87	25	112	91	17	108
25-basis-point decrease in the interest rate	(31)	(5)	(36)	(32)	(4)	(36)

Liquidity and Funding Risk

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

Funding risk is defined as the risk to the Bank's ongoing ability to raise sufficient funds to finance actual or proposed business activities on an unsecured or secured basis at an acceptable price. The funding management priority is to achieve an optimal balance between deposits, securitization, secured funding, and unsecured funding. This brings optimal stability to the funding and reduces vulnerability to unpredictable events.

COVID-19 has affected overall economic and market conditions, but the Bank's sound management of liquidity and funding risk is helping it to maintain an optimal balance between its sources of cash and anticipated payments.

Regulatory Developments
The Bank continues to closely monitor regulatory developments and participates actively in various consultative processes. For additional information about the regulatory context as at October 31, 2021, refer to page 94 of the Risk Management section in the *2021 Annual Report* as well as to the section entitled COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities on pages 17 and 18 of the *2021 Annual Report*. Since November 1, 2021, there have been no new regulatory developments to be considered.

Liquidity Management
Liquid Assets
To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. The majority of unencumbered liquid assets are held in Canadian or U.S. dollars. Moreover, all assets that can be quickly monetized are considered liquid assets. The Bank's liquidity reserves do not factor in the availability of the emergency liquidity facilities of central banks. The following tables provide information on the Bank's encumbered and unencumbered assets.

Liquid Asset Portfolio[1]

(millions of Canadian dollars)					As at January 31, 2022	As at October 31, 2021
	Bank-owned liquid assets[2]	Liquid assets received[3]	Total liquid assets	Encumbered liquid assets[4]	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	40,063	–	40,063	7,693	32,370	27,098
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	21,774	32,281	54,055	33,185	20,870	29,002
Issued or guaranteed by Canadian provincial and municipal governments	11,790	5,473	17,263	12,560	4,703	4,678
Other debt securities	8,218	2,233	10,451	2,302	8,149	7,201
Equity securities	56,960	40,266	97,226	70,786	26,440	26,824
Loans						
Securities backed by insured residential mortgages	10,724	–	10,724	6,873	3,851	3,545
As at January 31, 2022	149,529	80,253	229,782	133,399	96,383	
As at October 31, 2021	149,431	74,070	223,501	125,153		98,348

(millions of Canadian dollars)	As at January 31, 2022	As at October 31, 2021
Unencumbered liquid assets by entity		
National Bank (parent)	54,231	62,438
Domestic subsidiaries	14,751	12,471
Foreign subsidiaries and branches	27,401	23,439
	96,383	98,348

(millions of Canadian dollars)	As at January 31, 2022	As at October 31, 2021
Unencumbered liquid assets by currency		
Canadian dollar	51,761	47,293
U.S. dollar	33,891	40,999
Other currencies	10,731	10,056
	96,383	98,348

Liquid Asset Portfolio[1] – Average[5]

(millions of Canadian dollars)						Quarter ended
					January 31, 2022	October 31, 2021
	Bank-owned liquid assets[2]	Liquid assets received[3]	Total liquid assets	Encumbered liquid assets[4]	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	43,760	–	43,760	8,536	35,224	30,479
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	28,761	32,130	60,891	37,420	23,471	24,298
Issued or guaranteed by Canadian provincial and municipal governments	12,844	5,655	18,499	13,525	4,974	5,758
Other debt securities	5,381	2,270	7,651	2,324	5,327	7,170
Equity securities	66,089	41,012	107,101	76,643	30,458	31,242
Loans						
Securities backed by insured residential mortgages	10,123	–	10,123	6,357	3,766	4,008
	166,958	81,067	248,025	144,805	103,220	102,955

(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
(3) Securities received as collateral with respect to securities financing and derivative transactions and securities purchased under reverse repurchase agreements and securities borrowed.
(4) 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.
(5) 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[1]

(millions of Canadian dollars)						As at January 31, 2022
		Encumbered assets[2]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[3]	Available as collateral	Other[4]		
Cash and deposits with financial institutions	279	7,414	32,370	–	40,063	2.1
Securities	38,580	–	60,162	–	98,742	10.5
Securities purchased under reverse repurchase agreements and securities borrowed	–	15,178	–	–	15,178	4.1
Loans and acceptances, net of allowances	37,630	–	3,851	146,599	188,080	10.3
Derivative financial instruments	–	–	–	15,333	15,333	–
Investments in associates and joint ventures	–	–	–	201	201	–
Premises and equipment	–	–	–	1,253	1,253	–
Goodwill	–	–	–	1,508	1,508	–
Intangible assets	–	–	–	1,523	1,523	–
Other assets	–	–	–	5,007	5,007	–
	76,489	22,592	96,383	171,424	366,888	27.0

(millions of Canadian dollars)						As at October 31, 2021
		Encumbered assets[2]		Unencumbered assets	Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other[3]	Available as collateral	Other[4]		
Cash and deposits with financial institutions	275	6,506	27,098	–	33,879	1.9
Securities	38,599	–	67,705	–	106,304	10.9
Securities purchased under reverse repurchase agreements and securities borrowed	–	7,516	–	–	7,516	2.1
Loans and acceptances, net of allowances	37,307	–	3,545	141,837	182,689	10.5
Derivative financial instruments	–	–	–	16,484	16,484	–
Investments in associates and joint ventures	–	–	–	225	225	–
Premises and equipment	–	–	–	1,216	1,216	–
Goodwill	–	–	–	1,504	1,504	–
Intangible assets	–	–	–	1,510	1,510	–
Other assets	–	–	–	4,468	4,468	–
	76,181	14,022	98,348	167,244	355,795	25.4

(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) 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.
(3) 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.
(4) Other unencumbered assets are assets that cannot be used for collateral or funding purposes in their current form. This category includes assets that are potentially eligible as funding program collateral (e.g., mortgages insured by the Canada Mortgage and Housing Corporation that can be securitized into mortgage-backed securities under the *National Housing Act* (Canada)).

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) was introduced primarily to ensure that banks could withstand periods of severe short-term stress. LCR is calculated by dividing the total amount of high-quality liquid assets (HQLA) by the total amount of net cash outflows. 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 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's *Liquidity Adequacy Requirements* guideline.

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended January 31, 2022, the Bank's average LCR was 149%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity in a short-term position.

LCR Disclosure Requirements(1)(2)

(millions of Canadian dollars)			Quarter ended
	January 31, 2022		October 31, 2021
	Total unweighted value(3) (average)	Total weighted value(4) (average)	Total weighted value(4) (average)
High-quality liquid assets (HQLA)			
Total HQLA	n.a.	75,412	71,262
Cash outflows			
Retail deposits and deposits from small business customers, of which:	62,454	5,132	4,955
Stable deposits	27,952	839	815
Less stable deposits	34,502	4,293	4,140
Unsecured wholesale funding, of which:	105,000	56,848	53,903
Operational deposits (all counterparties) and deposits in networks of cooperative banks	22,803	5,537	6,097
Non-operational deposits (all counterparties)	73,109	42,223	38,865
Unsecured debt	9,088	9,088	8,941
Secured wholesale funding	n.a.	17,679	18,864
Additional requirements, of which:	50,352	12,664	11,468
Outflows related to derivative exposures and other collateral requirements	13,227	5,666	5,082
Outflows related to loss of funding on secured debt securities	1,592	1,592	1,278
Backstop liquidity and credit enhancement facilities and commitments to extend credit	35,533	5,406	5,108
Other contractual commitments to extend credit	1,929	980	775
Other contingent commitments to extend credit	119,949	1,706	1,691
Total cash outflows	n.a.	95,009	91,656
Cash inflows			
Secured lending (e.g., reverse repos)	99,667	17,060	17,585
Inflows from fully performing exposures	9,947	6,643	6,978
Other cash inflows	20,191	20,191	19,846
Total cash inflows	129,805	43,894	44,409
		Total adjusted value(5)	Total adjusted value(5)
Total HQLA		75,412	71,262
Total net cash outflows		51,115	47,247
Liquidity coverage ratio (%)(6)		149 %	154 %

n.a. Not applicable
(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
(3) Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
(4) Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates.
(5) Total adjusted values are calculated after the application of both haircuts and inflow and outflow rates and any applicable caps.
(6) The data in this table is calculated using averages of the daily figures in the quarter.

As at January 31, 2022, Level 1 liquid assets represented 87% of the Bank's HQLA, which includes cash, central bank deposits, and bonds issued or guaranteed by the Canadian government and Canadian provincial governments.

Cash outflows arise from the application of OSFI-prescribed assumptions on deposits, debt, secured funding, commitments and additional collateral requirements. The cash outflows are partly offset by cash inflows, which come mainly from secured loans and performing loans. The Bank expects some quarter-over-quarter variation between reported LCRs, and such variation may not be indicative of a trend. The variation between the quarter ended January 31, 2022 and the preceding quarter were a result of normal business operations. 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 presented in the tables on the previous 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.

Net Stable Funding Ratio

The BCBS has developed the Net Stable Funding Ratio (NSFR) to promote a more resilient banking sector. The NSFR requires institutions to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. A viable funding structure is intended to reduce the likelihood that disruptions to an institution's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. NSFR is calculated by dividing available stable funding by required stable funding. OSFI has been requiring Canadian banks to maintain a minimum NSFR of 100%.

The following table provides the available stable funding and required stable funding in accordance with OSFI's *Liquidity Adequacy Requirements* guideline. As at January 31, 2022, the Bank's NSFR was 117%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity in a long-term position.

NSFR Disclosure Requirements(1)(2)

(millions of Canadian dollars)					As at January 31, 2022	As at October 31, 2021
	Unweighted value by residual maturity					
	No maturity	6 months or less	Over 6 months to 1 year	Over 1 year	Weighted value(3)	Weighted value(3)
Available Stable Funding (ASF) Items						
Capital:	19,649	–	–	766	20,415	19,624
Regulatory capital	19,649	–	–	766	20,415	19,624
Other capital instruments	–	–	–	–	–	–
Retail deposits and deposits from small business customers:	56,706	10,759	3,218	15,665	80,063	79,362
Stable deposits	25,622	5,152	1,219	5,788	36,181	36,081
Less stable deposits	31,084	5,607	1,999	9,877	43,882	43,281
Wholesale funding:	64,955	81,724	5,601	35,748	85,557	82,896
Operational deposits	21,288	–	–	–	10,644	12,003
Other wholesale funding	43,667	81,724	5,601	35,748	74,913	70,893
Liabilities with matching interdependent assets(4)	–	2,835	2,429	19,842	–	–
Other liabilities(5):	23,386		13,732		764	793
NSFR derivative liabilities(5)	n.a.		10,209		n.a.	n.a.
All other liabilities and equity not included in the above categories	23,386	1,990	269	1,264	764	793
Total ASF	n.a.	n.a.	n.a.	n.a.	186,799	182,675
Required Stable Funding (RSF) Items						
Total NSFR high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	7,246	7,198
Deposits held at other financial institutions for operational purposes	–	–	–	–	–	–
Performing loans and securities:	42,302	64,841	22,347	94,437	130,782	128,378
Performing loans to financial institutions secured by Level 1 HQLA	384	2,588	–	19	168	33
Performing loans to financial institutions secured by non-Level-1 HQLA and unsecured performing loans to financial institutions	4,180	33,033	2,585	947	6,063	5,725
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	17,944	24,914	13,460	35,163	62,622	60,191
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	151	2,927	7	155	1,666	1,343
Performing residential mortgages, of which:	9,135	4,263	5,058	53,977	48,544	47,911
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	9,135	4,263	5,058	53,977	48,544	47,911
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	10,659	43	1,244	4,331	13,385	14,518
Assets with matching interdependent liabilities(4)	–	2,835	2,429	19,842	–	–
Other assets(5):	3,030		40,984		17,530	16,784
Physical traded commodities, including gold	279	n.a.	n.a.	n.a.	279	275
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs(5)	n.a.		8,546		7,264	6,811
NSFR derivative assets(5)	n.a.		11,112		902	757
NSFR derivative liabilities before deduction of the variation margin posted(5)	n.a.		14,450		722	825
All other assets not included in the above categories	2,751	5,681	185	1,010	8,363	8,116
Off-balance-sheet items(5)	n.a.		96,725		3,631	3,613
Total RSF	n.a.	n.a.	n.a.	n.a.	159,189	155,973
Net Stable Funding Ratio (%)	n.a.	n.a.	n.a.	n.a.	117 %	117 %

n.a. Not applicable
(1) See the Financial Reporting Method section on pages 6 to 8 for additional information on capital management measures.
(2) OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.
(3) Weighted values are calculated after application of the weightings set out in OSFI's *Liquidity Adequacy Requirements* guideline.
(4) As per OSFI's specifications, liabilities arising from transactions involving the Canada Mortgage Bond program and their corresponding encumbered mortgages are given ASF and RSF weights of 0%, respectively.
(5) As per OSFI's specifications, there is no need to differentiate by maturities.

The NSFR represents the amount of ASF relative to the amount of RSF. ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of RSF of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet exposures. The amounts of available and required stable funding are calibrated to reflect the degree of stability of liabilities and liquidity of assets. The Bank expects some quarter-over-quarter variation between reported NSFRs, and such variation may not be indicative of a trend.

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

Funding

The Bank continuously monitors and analyzes the possibilities for accessing less expensive and more flexible funding. The deposit strategy remains a priority for the Bank, which continues to prefer deposits to institutional funding.

The table below presents the residual contractual maturities of the Bank's wholesale funding. The information has been presented in accordance with the categories recommended by the EDTF for comparison purposes with other banks.

Residual Contractual Maturities of Wholesale Funding[1]

(millions of Canadian dollars)								As at January 31, 2022
	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]	681	–	–	14	695	–	–	695
Certificates of deposit and commercial paper[3]	4,075	6,771	6,580	1,636	19,062	–	–	19,062
Senior unsecured medium-term notes[4][5]	–	2,390	1,633	1,252	5,275	2,417	7,668	15,360
Senior unsecured structured notes	–	–	–	132	132	238	3,292	3,662
Covered bonds and asset-backed securities								
Mortgage securitization	–	1,601	1,211	2,433	5,245	4,837	15,025	25,107
Covered bonds	–	–	1,270	–	1,270	3,207	4,280	8,757
Securitization of credit card receivables	–	–	–	–	–	28	48	76
Subordinated liabilities[6]	–	–	–	–	–	–	766	766
	4,756	10,762	10,694	5,467	31,679	10,727	31,079	73,485
Secured funding	–	1,601	2,481	2,433	6,515	8,072	19,353	33,940
Unsecured funding	4,756	9,161	8,213	3,034	25,164	2,655	11,726	39,545
	4,756	10,762	10,694	5,467	31,679	10,727	31,079	73,485
As at October 31, 2021	2,643	8,872	9,802	7,390	28,707	10,400	29,331	68,438

(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) Includes deposits subject to bank recapitalization (bail-in) conversion regulations.
(6) Subordinated debt is presented in this table, but the Bank does not consider it as part of its wholesale funding.

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

(millions of Canadian dollars)		As at January 31, 2022
	One-notch downgrade	Three-notch downgrade
Derivatives[1]	–	9

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

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

The following tables present balance sheet items and off-balance-sheet commitments by residual contractual maturity as at January 31, 2022 with comparative figures as at October 31, 2021. 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 when assessing liquid assets or 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 under other contracts, mainly commitments to purchase loans and contracts for outsourced information technology services. Most of the lease commitments are related to operating leases.

(millions of Canadian dollars)										As at January 31, 2022
	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	13,055	287	215	378	247	–	–	–	25,881	40,063
Securities										
At fair value through profit or loss	46	577	419	609	2,203	2,482	5,779	9,220	56,354	77,689
At fair value through other comprehensive income	1	–	639	59	83	132	4,104	2,418	606	8,042
At amortized cost	4	188	407	772	297	3,580	6,951	812	–	13,011
	51	765	1,465	1,440	2,583	6,194	16,834	12,450	56,960	98,742
Securities purchased under reverse repurchase agreements and securities borrowed	8,938	283	1,084	–	381	636	–	–	3,856	15,178
Loans(1)										
Residential mortgage	521	871	2,395	2,133	1,964	8,708	50,302	6,881	588	74,363
Personal	122	280	794	823	746	3,607	16,584	4,737	14,282	41,975
Credit card									2,039	2,039
Business and government	18,872	4,212	3,755	3,214	3,568	5,516	9,968	3,375	11,383	63,863
Customers' liability under acceptances	5,976	786	6	–	–	–	–	–	–	6,768
Allowances for credit losses									(928)	(928)
	25,491	6,149	6,950	6,170	6,278	17,831	76,854	14,993	27,364	188,080
Other										
Derivative financial instruments	1,650	1,498	2,762	984	2,310	1,418	2,375	2,336	–	15,333
Investments in associates and joint ventures									201	201
Premises and equipment									1,253	1,253
Goodwill									1,508	1,508
Intangible assets									1,523	1,523
Other assets(1)	2,064	111	145	128	404	483	80	80	1,512	5,007
	3,714	1,609	2,907	1,112	2,714	1,901	2,455	2,416	5,997	24,825
	51,249	9,093	12,621	9,100	12,203	26,562	96,143	29,859	120,058	366,888

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

(millions of Canadian dollars)										As at January 31, 2022
	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	2,056	3,046	2,284	1,763	2,130	6,250	6,480	4,703	42,486	71,198
Business and government	28,761	15,018	12,089	3,349	2,431	6,487	11,510	5,064	87,879	172,588
Deposit-taking institutions	1,421	71	77	23	19	1	5	35	1,657	3,309
	32,238	18,135	14,450	5,135	4,580	12,738	17,995	9,802	132,022	247,095
Other										
Acceptances	5,976	786	6	–	–	–	–	–	–	6,768
Obligations related to securities sold short(3)	99	119	421	189	90	4,801	2,816	5,433	6,561	20,529
Obligations related to securities sold under repurchase agreements and securities loaned	11,664	4,710	4,131	268	–	–	–	–	4,531	25,304
Derivative financial instruments	2,016	1,884	2,218	744	797	1,208	5,400	1,543	–	15,810
Liabilities related to transferred receivables(4)	–	1,601	1,211	413	2,020	4,837	10,562	4,463	–	25,107
Securitization – Credit card(5)	–	–	–	–	–	28	48	–	–	76
Lease liabilities(5)	8	16	24	24	23	93	215	161	–	564
Other liabilities – Other items(1)(5)	712	134	86	37	69	28	38	50	4,066	5,220
	20,475	9,250	8,097	1,675	2,999	10,995	19,079	11,650	15,158	99,378
Subordinated debt	–	–	–	–	–	–	–	766	–	766
Equity									19,649	19,649
	52,713	27,385	22,547	6,810	7,579	23,733	37,074	22,218	166,829	366,888
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	59	385	1,367	1,340	1,952	968	102	–	–	6,173
Credit card receivables(6)									9,269	9,269
Backstop liquidity and credit enhancement facilities(7)	–	–	15	–	15	4,502	–	–	4,421	8,953
Commitments to extend credit(8)	2,794	8,643	7,650	5,838	4,505	3,024	4,094	61	42,872	79,481
Obligations related to:										
Lease commitments(9)	1	1	2	1	1	2	3	1	–	12
Other contracts(10)	56	60	51	50	70	106	18	–	116	527

(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 $4.5 billion.
(8) These amounts include $41.5 billion that is unconditionally revocable at the Bank's discretion at any time.
(9) These amounts include leases for which the underlying asset is of low value and leases other than for real estate of less than one year.
(10) These amounts include $0.3 billion in contractual commitments related to the head office building under construction.

(millions of Canadian dollars)										As at October 31, 2021
	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	7,510	334	374	146	368	–	–	–	25,147	33,879
Securities										
At fair value through profit or loss	1,946	1,929	1,061	702	792	3,037	6,454	9,410	59,480	84,811
At fair value through other comprehensive income	1	–	1	624	63	227	4,867	3,183	617	9,583
At amortized cost	1	181	213	425	804	3,589	5,865	832	–	11,910
	1,948	2,110	1,275	1,751	1,659	6,853	17,186	13,425	60,097	106,304
Securities purchased under reverse repurchase agreements and securities borrowed	1,113	1,199	59	–	371	619	–	–	4,155	7,516
Loans(1)										
Residential mortgage	702	965	1,581	2,587	2,320	8,850	48,455	6,504	578	72,542
Personal	214	315	512	877	843	3,527	16,056	4,308	14,401	41,053
Credit card									2,150	2,150
Business and government	16,842	3,986	2,614	3,508	3,253	6,290	10,180	3,605	10,828	61,106
Customers' liability under acceptances	6,200	618	18	–	–	–	–	–	–	6,836
Allowances for credit losses									(998)	(998)
	23,958	5,884	4,725	6,972	6,416	18,667	74,691	14,417	26,959	182,689
Other										
Derivative financial instruments	1,868	3,678	1,019	2,190	823	1,865	2,491	2,550	–	16,484
Investments in associates and joint ventures									225	225
Premises and equipment									1,216	1,216
Goodwill									1,504	1,504
Intangible assets									1,510	1,510
Other assets(1)	1,829	137	148	129	56	727	88	17	1,337	4,468
	3,697	3,815	1,167	2,319	879	2,592	2,579	2,567	5,792	25,407
	38,226	13,342	7,600	11,188	9,693	28,731	94,456	30,409	122,150	355,795

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

(millions of Canadian dollars)										As at October 31, 2021
	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	1,396	3,433	4,596	2,194	1,945	4,157	6,468	4,914	40,973	70,076
Business and government	24,814	12,796	10,782	5,785	2,691	5,453	10,054	4,765	90,730	167,870
Deposit-taking institutions	1,011	128	38	66	23	1	–	36	1,689	2,992
	27,221	16,357	15,416	8,045	4,659	9,611	16,522	9,715	133,392	240,938
Other										
Acceptances	6,200	618	18	–	–	–	–	–	–	6,836
Obligations related to securities sold short(3)	186	123	182	175	22	3,099	3,743	4,797	7,939	20,266
Obligations related to securities sold under repurchase agreements and securities loaned	7,330	2,668	3,633	246	–	–	–	–	3,416	17,293
Derivative financial instruments	3,048	3,061	1,171	1,921	880	1,485	3,273	4,528	–	19,367
Liabilities related to transferred receivables(4)	–	1,688	1,523	1,054	411	5,501	10,771	4,222	–	25,170
Securitization – Credit card(5)	36	–	–	–	–	28	48	–	–	112
Lease liabilities(5)	7	15	21	22	22	88	214	186	–	575
Other liabilities – Other items(1)(5)	640	477	117	125	100	41	25	75	4,014	5,614
	17,447	8,650	6,665	3,543	1,435	10,242	18,074	13,808	15,369	95,233
Subordinated debt	–	–	–	–	–	–	–	768	–	768
Equity									18,856	18,856
	44,668	25,007	22,081	11,588	6,094	19,853	34,596	24,291	167,617	355,795
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	320	1,561	828	2,092	793	575	74	–	–	6,243
Credit card receivables(6)									9,081	9,081
Backstop liquidity and credit enhancement facilities(7)	15	–	4,502	15	–	–	–	–	2,732	7,264
Commitments to extend credit(8)	2,848	9,139	6,195	6,737	3,872	3,105	3,667	48	42,372	77,983
Obligations related to:										
Lease commitments(9)	1	1	1	1	1	1	3	3	–	12
Other contracts(10)	54	58	50	48	46	152	19	–	124	551

(1) Amounts payable upon demand or notice are considered to have no specified maturity.
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(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 $4.5 billion.
(8) These amounts include $40.8 billion that is unconditionally revocable at the Bank's discretion at any time.
(9) These amounts include leases for which the underlying asset is of low value and leases other than for real estate of less than one year.
(10) These amounts include $0.3 billion in contractual commitments related to the head office building under construction.

Risk Disclosures

One of the purposes of the *2021 Annual Report,* the *Report to Shareholders – First Quarter 2022,* 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		
		2021 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital and Pillar 3 Disclosure(1)
General				
1	Location of risk disclosures	13	40	
	Management's Discussion and Analysis	59 to 107, 119, 121 and 122	19 to 39	
	Consolidated Financial Statements	Notes 1, 7, 16, 23 and 29	Notes 5 and 11	
	Supplementary Financial Information			19 to 29(2)
	Supplementary Regulatory Capital and Pillar 3 Disclosure			5 to 48
2	Risk terminology and risk measures	69 to 107		
3	Top and emerging risks	16 to 18, 26 and 73 to 78	4 and 5	
4	New key regulatory ratios	60 to 63, 94 and 98 to 101	19, 20, 30 and 32 to 35	
Risk governance and risk management				
5	Risk management organization, processes and key functions	69 to 88, 94 to 96 and 101		
6	Risk management culture	69 and 70		
7	Key risks by business segment, risk management and risk appetite	68 to 70, 73 and 74		
8	Stress testing	59, 70, 82, 92, 93 and 96		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	60 to 63	19 and 20	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 13, 16 and 17
11	Movements in regulatory capital	66	21	
12	Capital planning	59 to 68		
13	RWA by business segment and by risk type	68		6
14	Capital requirements by risk and the RWA calculation method	78 to 82		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	67	22	6
17	Assessment of credit risk model performance	73, 79 to 82 and 87		31
Liquidity				
18	Liquidity management and components of the liquidity buffer	94 to 101	30 to 35	
Funding				
19	Summary of encumbered and unencumbered assets	97 and 98	32	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	221 to 225	36 to 39	
21	Funding strategy and funding sources	101 to 103	35	
Market risk				
22	Linkage of market risk measures to balance sheet	89 and 90	27 and 28	
23	Market risk factors	87 to 93, 210 and 211	27 to 30	
24	VaR: Assumptions, limitations and validation procedures	91		
25	Stress tests, stressed VaR and backtesting	87 to 93		
Credit risk				
26	Credit risk exposures	86 and 172 to 183	26 and 61 to 69	18 to 40 and 19 to 27(2)
27	Policies for identifying impaired loans	83, 84, 146 and 147		
28	Movements in impaired loans and allowances for credit losses	119, 121, 122 and 172 to 183	61 to 69	24 to 26(2)
29	Counterparty credit risk relating to derivatives transactions	83 to 85 and 190 to 193		33 to 40, 28(2) and 29(2)
30	Credit risk mitigation	81 to 84 and 169		20, 24 and 38 to 48
Other risks				
31	Other risks: Governance, measurement and management	77, 78 and 103 to 107		
32	Publicly known risk events	16 to 18, 26, 103 and 104	4 and 5	

(1) First quarter 2022.
(2) These pages are included in the document entitled *Supplementary Financial Information – First Quarter 2022*.

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 OSFI, the consolidated financial statements are to be prepared in accordance with IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). None of the OSFI accounting requirements are exceptions to IFRS. The unaudited interim condensed consolidated financial statements for the quarter ended January 31, 2022 were prepared in accordance with IAS 34 – *Interim Financial Reporting* using the same accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2021.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment and make estimates and assumptions that affect the reporting date carrying amounts of assets and liabilities, net income and related information. Some accounting policies are considered critical given their importance to the presentation of the Bank's financial position and operating results and require difficult, 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 108 to 113 of the *2021 Annual Report*.

COVID-19 Pandemic Considerations

The COVID-19 pandemic continues to evolve, and, given the uncertainty associated with the unprecedented nature of the pandemic, developing reliable estimates and applying judgment continue to be substantially complex. Some of the Bank's accounting policies, such as measurement of expected credit losses (ECLs), require particularly complex judgments and estimates. See Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2021 for a summary of the most significant estimation processes used to prepare the consolidated financial statements in accordance with IFRS and for the valuation techniques used to determine carrying values and fair values of assets and liabilities. The uncertainty regarding certain key inputs used in measuring ECLs is described in Note 5 to these unaudited interim condensed consolidated financial statements.

Interest Rate Benchmark Reform

The reform of interest rate benchmarks is a global initiative that is being coordinated and led by central banks and governments around the world, including those in Canada. In August 2020, the IASB finalized its response to the ongoing reform of interbank offered rates (IBOR) and other interest rate benchmarks by issuing amendments to its new and former financial instrument standards, IFRS 9 – *Financial Instruments* (IFRS 9) and IAS 39 – *Financial Instruments: Recognition and Measurement* (IAS 39) as well as to related standard IFRS 7 – *Financial Instruments: Disclosures* (IFRS 7), to IFRS 4 – *Insurance Contracts* (IFRS 4), and to IFRS 16 – *Leases* (IFRS 16). These amendments address how financial statements will be affected once current interest rate benchmarks are replaced with alternative interest rate benchmarks and notably cover amendments to contractual cash flows, hedge accounting, and disclosures. On November 1, 2020, the Bank early adopted the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16. For additional information, see Note 17 and the Accounting Policy Changes section in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2021.

The Bank has transitioned its LIBOR-related (London Interbank Offered Rates) contracts that involve pound sterling (GBP), the euro (EUR), the Japanese yen (JPY) and the Swiss franc (CHF), for which the cessation or loss of representativeness was December 31, 2021. As for USD LIBOR, the Bank included rate replacement clauses in contracts negotiated during 2021 and, since January 1, 2022, the Bank has no longer been using USD LIBOR in new contracts except in circumstances compliant with regulatory guidance.

The Bank is continuing to monitor all of the developments of this initiative, as it is exposed to several risks, including interest rate risk and operational risk, which arise from non-derivative financial assets, non-derivative financial liabilities, and derivative financial instruments. The project team ensures that risks are mitigated while ensuring a positive experience for its clients. The Bank is taking all necessary steps to identify, measure, and control all risks to ensure a smooth transition to the interest rate benchmark reform. As at January 31, 2022, the project is progressing according to schedule.

Recent Developments

On December 16, 2021, the Bank of Canada announced that a white paper published by the Canadian Alternative Reference Rate (CARR) Working Group was recommending that CDOR (Canadian Dollar Offered Rate) be declared unrepresentative by its administrator, namely, Refinitiv Benchmark Services (UK) Limited (Refinitiv), and also that CDOR cease to exist as of June 30, 2024 (including a recommendation to cease using CDOR on the derivative financial instrument market as of June 30, 2023).

On January 31, 2022, Refinitiv launched a public consultation on the future of CDOR, asking that comments and responses to the consultation questions be submitted by February 28, 2022. At the end of the consultation, Refinitiv will publish its conclusions, which may include an announcement to cease using CDOR and an effective date for the cessation.

Financial Disclosure

During the first quarter of 2022, 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)	2022				2021			2020	2021	2020
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Total	Total
Total revenues	**2,466**	2,211	2,254	2,238	2,224	2,000	1,968	2,036	8,927	7,927
Net income	**932**	776	839	801	761	492	602	379	3,177	2,083
Earnings per share ($)										
Basic	**2.68**	2.22	2.39	2.28	2.16	1.37	1.67	1.01	9.06	5.73
Diluted	**2.65**	2.19	2.36	2.25	2.15	1.36	1.66	1.01	8.96	5.70
Dividends per common share ($)	**0.87**	0.71	0.71	0.71	0.71	0.71	0.71	0.71	2.84	2.84
Return on common shareholders' equity (%)[1]	**21.7**	18.7	21.3	22.0	21.2	13.7	17.0	10.7	20.7	14.9
Total assets	**366,888**	355,795	354,040	350,742	343,637	331,625	322,453	316,950		
Net impaired loans[2]	**287**	283	312	349	400	465	453	479		
Per common share ($)										
Book value	**50.23**	47.95	46.00	43.59	41.48	39.97	38.91	38.74		
Share price										
High	**105.44**	104.32	96.97	89.42	73.81	72.85	65.54	74.79		
Low	**94.37**	95.00	89.47	72.30	65.54	62.99	51.38	38.73		

(1) See the Glossary section on pages 43 to 45 for details on the composition of these measures.
(2) 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.

Glossary

Acceptances
Acceptances and the customers' liability under acceptances constitute a guarantee of payment by a bank and can be traded in the money market. The Bank earns a "stamping fee" for providing this guarantee.

Allowances for credit losses
Allowances for credit losses represent management's unbiased estimate of expected credit losses as at the balance sheet date. These allowances are primarily related to loans and off-balance-sheet items such as loan commitments and financial guarantees.

Assets under administration
Assets in respect of which a financial institution provides administrative services such as custodial services, collection of investment income, settlement of purchase and sale transactions, and record-keeping. Assets under administration, which are beneficially owned by clients, are not reported on the balance sheet of the institution offering such services.

Assets under management
Assets managed by a financial institution and that are beneficially owned by clients. Management services are more comprehensive than administrative services and include selecting investments or offering investment advice. Assets under management, which may also be administered by the financial institution, are not reported on the balance sheet of the institution offering such services.

Average interest-bearing assets
Average interest-bearing assets include interest-bearing deposits with financial institutions and certain cash items, securities, securities purchased under reverse repurchase agreements and securities borrowed, and loans, while excluding other assets. The average is calculated based on the daily balances for the period.

Average volumes
Average volumes represent the average of the daily balances for the period of the consolidated balance sheet items.

Basic earnings per share
Basic earnings per share – Adjusted
Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average basic number of common shares outstanding. Adjusted basic earnings per share is calculated by dividing adjusted net income attributable to common shareholders by the weighted average basic number of common shares outstanding.

Basis point
Unit of measure equal to one one-hundredth of a percentage point (0.01%).

Book value of a common share
The book value of a common share is calculated by dividing common shareholders' equity by the number of common shares on a given date.

Common Equity Tier 1 (CET1) capital ratio
CET1 capital consists of common shareholders' equity less goodwill, intangible assets, and other capital deductions. The CET1 capital ratio is calculated by dividing Common Equity Tier 1 capital by the corresponding risk-weighted assets.

Compound annual growth rate (CAGR)
CAGR is a rate of growth that shows, for a period exceeding one year, the annual change as though the growth had been constant throughout the period.

Derivative financial instruments
Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, exchange rate or equity, commodity or credit instrument or index. Examples of derivatives include swaps, options, forward rate agreements, and futures. The notional amount of the derivative is the contract amount used as a reference point to calculate the payments to be exchanged between the two parties, and the notional amount itself is generally not exchanged by the parties.

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

Dividend payout ratio
Dividend payout ratio – Adjusted
The dividend payout ratio represents the dividends of common shares (per share amount) expressed as a percentage of basic earnings per share. The adjusted dividend payout ratio represents the dividends on common shares (per share amount) expressed as a percentage of adjusted basic earnings per share.

Economic capital
Economic capital is the internal measure used by the Bank to determine the capital required for its solvency and to pursue its business operations. Economic capital takes into consideration the credit, market, operational, business and other risks to which the Bank is exposed as well as the risk diversification effect among them and among the business segments. Economic capital thus helps the Bank to determine the capital required to protect itself against such risks and ensure its long-term viability.

Efficiency ratio
Efficiency ratio – Adjusted
The efficiency ratio represents non-interest expenses expressed as a percentage of total revenues. It measures the efficiency of the Bank's operations. The adjusted efficiency ratio represents adjusted non-interest expenses expressed as a percentage of adjusted total revenues.

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

Gross impaired loans as a percentage of total loans and acceptances
This measure represents gross impaired loans expressed as a percentage of the balance of loans and acceptances.

Hedging
The purpose of a hedging transaction is to modify the Bank's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging instrument.

Impaired loans
The Bank considers a financial asset, other than a credit card receivable, to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. Credit card receivables are considered credit-impaired and are fully written off at the earlier of the following dates: when a notice of bankruptcy is received, a settlement proposal is made, or contractual payments are 180 days past due.

Leverage ratio
The leverage ratio is calculated by dividing Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative financial instrument exposures and securities financing transaction exposures) and off-balance-sheet items.

Liquidity coverage ratio (LCR)
The LCR is a measure designed to ensure that the Bank has sufficient high-quality liquid assets to cover net cash outflows given a severe, 30-day liquidity crisis.

Loans and acceptances
Loans and acceptances represent the sum of loans and of the customers' liability under acceptances.

Loan-to-value ratio
The loan-to-value ratio is calculated according to the total facility amount for residential mortgages and home equity lines of credit divided by the value of the related residential property.

Master netting agreement
Legal agreement between two parties that have multiple derivative contracts with each other and that provides for the net settlement of all contracts through a single payment in the event of default, insolvency, or bankruptcy.

Net impaired loans
Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

Net impaired loans as a percentage of total loans and acceptances
This measure represents net impaired loans as a percentage of the balance of loans and acceptances.

Net interest margin
Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

Net stable funding ratio (NSFR)
The NSFR ratio is a measure that helps guarantee that a bank is maintaining a stable funding profile to reduce the risk of funding stress.

Net write-offs as a percentage of average loans and acceptances
This measure represents the net write-offs (net of recoveries) expressed as a percentage of average loans and acceptances.

Office of the Superintendent of Financial Institutions (Canada) (OSFI)
The mandate of OSFI is to regulate and supervise financial institutions and private pension plans subject to federal oversight, to help minimize undue losses to depositors and policyholders and, thereby, to contribute to public confidence in the Canadian financial system.

Operating leverage
Operating leverage – Adjusted
Operating leverage is the difference between the growth rate for total revenues and the growth rate for non-interest expenses. Adjusted operating leverage is the difference between the growth rate for adjusted total revenues and the growth rate for adjusted non-interest expenses.

Provisioning rate
This measure represents the allowances for credit losses on impaired loans expressed as a percentage of gross impaired loans.

Provisions for credit losses
Amount charged to income necessary to bring the allowances for credit losses to a level deemed appropriate by management and comprised of provisions for credit losses on impaired and non-impaired financial assets.

Provisions for credit losses as a percentage of average loans and acceptances
This measure represents the provisions for credit losses expressed as a percentage of average loans and acceptances.

Provisions for credit losses on impaired loans as a percentage of average loans and acceptances
This measure represents the provisions for credit losses on impaired loans expressed as a percentage of average loans and acceptances.

Return on average assets
Return on average assets represents net income expressed as a percentage of average assets.

Return on common shareholders' equity (ROE)
Return on common shareholders' equity (ROE) – Adjusted
ROE represents net income attributable to common shareholders expressed as a percentage of average equity attributable to common shareholders. It's a general measure of the Bank's efficiency in using equity. Adjusted ROE represents adjusted net income attributable to common shareholders as a percentage of adjusted average equity attributable to common shareholders.

Risk-weighted assets
Assets are risk-weighted according to the guidelines established by the Office of the Superintendent of Financial Institutions (Canada). Using the Standardized approach, risk factors are applied to the face value of certain assets in order to reflect comparable risk levels. Using the Advanced Internal Ratings-Based (AIRB) approach, risk-weighted assets are derived from the Bank's internal models, which represent the Bank's own assessment of the risks it faces. Off-balance-sheet instruments are converted to balance sheet (or credit) equivalents by adjusting the notional values before applying the appropriate risk-weighting factors.

Securities purchased under reverse repurchase agreements
Securities purchased by the Bank from a client pursuant to an agreement under which the securities will be resold to the same client on a specified date and at a specified price. Such an agreement is a form of short-term collateralized lending.

Securities sold under repurchase agreements
Financial obligations related to securities sold pursuant to an agreement under which the securities will be repurchased on a specified date and at a specified price. Such an agreement is a form of short-term funding.

Stressed VaR (SVaR)
SVaR is a statistical measure of risk that replicates the VaR calculation method but uses, instead of a two-year history of risk factor changes, a 12-month data period corresponding to a continuous period of significant financial stress that is relevant in terms of the Bank's portfolios.

Structured entity
A structured entity is an entity created to accomplish a narrow and well-defined objective and is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate solely to administrative tasks and the relevant activities are directed by means of contractual arrangements.

Taxable equivalent basis
Taxable equivalent basis is a calculation method that consists in grossing up certain tax-exempt income (particularly dividends) by the amount of income tax that would have otherwise been payable. The Bank uses the taxable equivalent basis to calculate net interest income, non-interest income, and income taxes.

Tier 1 capital ratio
Tier 1 capital ratio consists of Common Equity Tier 1 capital and Additional Tier 1 instruments, namely, qualifying non-cumulative preferred shares and the eligible amount of innovative instruments. Tier 1 capital ratio is calculated by dividing Tier 1 capital, less regulatory adjustments, by the corresponding risk-weighted assets.

Total capital ratio
Total capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital consists of the eligible portion of subordinated debt and certain allowances for credit losses. Total capital ratio is calculated by dividing total capital, less regulatory adjustments, by the corresponding risk-weighted assets.

Total shareholder return (TSR)
TSR represents the average total return on an investment in the Bank's common shares. The return includes changes in share price and assumes that the dividends received were reinvested in additional common shares of the Bank.

Trading activity revenues
Trading activity revenues – Adjusted
Trading activity revenues consist of the net interest income and the non-interest income related to trading activities. Net interest income comprises dividends related to financial assets and liabilities associated with trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities. Non-interest income consists of realized and unrealized gains and losses as well as interest income on securities measured at fair value through profit or loss, income from held-for-trading derivative financial instruments, changes in the fair value of loans at fair value through profit or loss, changes in the fair value of financial instruments designated at fair value through profit or loss, certain commission income, other trading activity revenues, and any applicable transaction costs. Trading activity revenues on a taxable equivalent basis includes adjusted net interest income and adjusted non-interest income related to trading activities.

Value-at-Risk (VaR)
VaR is a statistical measure of risk that is used to quantify market risks across products, types of risks, and aggregate risk on a portfolio basis. VaR is defined as the maximum loss at a specific confidence level over a certain horizon under normal market conditions. The VaR method has the advantage of providing a uniform measurement of financial instrument-related market risks based on a single statistical confidence level and time horizon.

Interim Condensed Consolidated Financial Statements

(unaudited)

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at January 31, 2022	As at October 31, 2021
Assets		
Cash and deposits with financial institutions	40,063	33,879
Securities (Notes 2, 3 and 4)		
At fair value through profit or loss	77,689	84,811
At fair value through other comprehensive income	8,042	9,583
At amortized cost	13,011	11,910
	98,742	106,304
Securities purchased under reverse repurchase agreements and securities borrowed	15,178	7,516
Loans (Note 5)		
Residential mortgage	74,363	72,542
Personal	41,975	41,053
Credit card	2,039	2,150
Business and government	63,863	61,106
	182,240	176,851
Customers' liability under acceptances	6,768	6,836
Allowances for credit losses	(928)	(998)
	188,080	182,689
Other		
Derivative financial instruments	15,333	16,484
Investments in associates and joint ventures	201	225
Premises and equipment	1,253	1,216
Goodwill	1,508	1,504
Intangible assets	1,523	1,510
Other assets (Note 7)	5,007	4,468
	24,825	25,407
	366,888	355,795
Liabilities and equity		
Deposits (Notes 3 and 8)	247,095	240,938
Other		
Acceptances	6,768	6,836
Obligations related to securities sold short	20,529	20,266
Obligations related to securities sold under repurchase agreements and securities loaned (Note 6)	25,304	17,293
Derivative financial instruments	15,810	19,367
Liabilities related to transferred receivables (Notes 3 and 6)	25,107	25,170
Other liabilities (Note 9)	5,860	6,301
	99,378	95,233
Subordinated debt	766	768
Equity		
Equity attributable to the Bank's shareholders and holders of other equity instruments (Notes 10 and 12)		
Preferred shares and other equity instruments	2,650	2,650
Common shares	3,208	3,160
Contributed surplus	46	47
Retained earnings	13,719	13,028
Accumulated other comprehensive income	23	(32)
	19,646	18,853
Non-controlling interests	3	3
	19,649	18,856
	366,888	355,795

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

Consolidated Statements of Income

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2022	2021
Interest income		
Loans	1,422	1,376
Securities at fair value through profit or loss	366	297
Securities at fair value through other comprehensive income	31	42
Securities at amortized cost	46	45
Deposits with financial institutions	23	18
	1,888	1,778
Interest expense		
Deposits	400	426
Liabilities related to transferred receivables	101	86
Subordinated debt	4	4
Other	51	55
	556	571
Net interest income(1)	1,332	1,207
Non-interest income		
Underwriting and advisory fees	78	80
Securities brokerage commissions	57	67
Mutual fund revenues	156	132
Investment management and trust service fees	256	202
Credit fees	125	131
Card revenues	47	33
Deposit and payment service charges	71	65
Trading revenues (losses)	122	108
Gains (losses) on non-trading securities, net	54	36
Insurance revenues, net	47	28
Foreign exchange revenues, other than trading	52	52
Share in the net income of associates and joint ventures	5	6
Other	64	77
	1,134	1,017
Total revenues	2,466	2,224
Non-interest expenses		
Compensation and employee benefits	817	731
Occupancy	76	79
Technology	228	200
Communications	14	13
Professional fees	63	56
Other	79	101
	1,277	1,180
Income before provisions for credit losses and income taxes	1,189	1,044
Provisions for credit losses (Note 5)	(2)	81
Income before income taxes	1,191	963
Income taxes	259	202
Net income	932	761
Net income attributable to		
Preferred shareholders and holders of other equity instruments	26	33
Common shareholders	906	728
Bank shareholders and holders of other equity instruments	932	761
Non-controlling interests	–	–
	932	761
Earnings per share *(dollars)* (Note 14)		
Basic	2.68	2.16
Diluted	2.65	2.15
Dividends per common share *(dollars)* (Note 10)	0.87	0.71

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, 2021.

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2022	2021
Net income	**932**	761
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	**116**	(176)
Impact of hedging net foreign currency translation gains (losses)	**(34)**	54
	82	(122)
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	**(64)**	37
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**21**	(10)
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**–**	(1)
	(43)	26
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**6**	32
Net (gains) losses on designated derivative financial instruments reclassified to net income	**10**	2
	16	34
Share in the other comprehensive income of associates and joint ventures	**–**	–
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**96**	132
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**6**	27
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**21**	(84)
	123	75
Total other comprehensive income, net of income taxes	**178**	13
Comprehensive income	**1,110**	774
Comprehensive income attributable to		
Bank shareholders and holders of other equity instruments	**1,110**	787
Non-controlling interests	**–**	(13)
	1,110	774

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

Consolidated Statements of Comprehensive Income (cont.)

(unaudited) (millions of Canadian dollars)

Income Taxes – Other Comprehensive Income

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

	Quarter ended January 31	
	2022	2021
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	**(5)**	4
Impact of hedging net foreign currency translation gains (losses)	**(7)**	15
	(12)	19
Net change in debt securities at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**(23)**	13
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**8**	(4)
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**–**	–
	(15)	9
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**2**	11
Net (gains) losses on designated derivative financial instruments reclassified to net income	**3**	1
	5	12
Share in the other comprehensive income of associates and joint ventures	**–**	–
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	**35**	47
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**2**	10
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**8**	(30)
	45	27
	23	67

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

Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2022	2021
Preferred shares and other equity instruments at beginning and at end (Note 10)	2,650	2,950
Common shares at beginning (Note 10)	3,160	3,057
Issuances of common shares pursuant to the Stock Option Plan	42	39
Repurchases of common shares for cancellation	(5)	–
Impact of shares purchased or sold for trading	11	(2)
Common shares at end	3,208	3,094
Contributed surplus at beginning	47	47
Stock option expense (Note 12)	4	3
Stock options exercised	(5)	(5)
Contributed surplus at end	46	45
Retained earnings at beginning	13,028	10,444
Net income attributable to the Bank's shareholders and holders of other equity instruments	932	761
Dividends on preferred shares and distributions on other equity instruments (Note 10)	(28)	(34)
Dividends on common shares (Note 10)	(294)	(239)
Premium paid on common shares repurchased for cancellation (Note 10)	(43)	–
Remeasurements of pension plans and other post-employment benefit plans	96	132
Net gains (losses) on equity securities designated at fair value through other comprehensive income	6	27
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	21	(84)
Impact of a financial liability resulting from put options written to non-controlling interests	(1)	–
Other	2	(9)
Retained earnings at end	13,719	10,998
Accumulated other comprehensive income at beginning	(32)	(118)
Net foreign currency translation adjustments	82	(109)
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	(43)	26
Net change in gains (losses) on cash flow hedges	16	34
Share in the other comprehensive income of associates and joint ventures	–	–
Accumulated other comprehensive income at end	23	(167)
Equity attributable to the Bank's shareholders and holders of other equity instruments	19,646	16,920
Non-controlling interests at beginning	3	3
Purchase of the non-controlling interest of the Credigy Ltd. subsidiary	–	10
Net income attributable to non-controlling interests	–	–
Other comprehensive income attributable to non-controlling interests	–	(13)
Non-controlling interests at end	3	–
Equity	19,649	16,920

Accumulated Other Comprehensive Income

	As at January 31, 2022	As at January 31, 2021
Accumulated other comprehensive income		
Net foreign currency translation adjustments	(47)	(48)
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	28	127
Net gains (losses) on instruments designated as cash flow hedges	39	(249)
Share in the other comprehensive income of associates and joint ventures	3	3
	23	(167)

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

Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2022	2021
Cash flows from operating activities		
Net income	932	761
Adjustments for		
Provisions for credit losses	(2)	81
Amortization of premises and equipment including right-of-use assets	51	54
Amortization of intangible assets	79	73
Deferred taxes	78	47
Losses (gains) on sales of non-trading securities, net	(54)	(36)
Share in the net income of associates and joint ventures	(5)	(6)
Stock option expense	4	3
Change in operating assets and liabilities		
Securities at fair value through profit or loss	7,122	(10,002)
Securities purchased under reverse repurchase agreements and securities borrowed	(7,662)	4,093
Loans and acceptances, net of securitization	(5,493)	(3,206)
Deposits	6,157	11,799
Obligations related to securities sold short	263	1,905
Obligations related to securities sold under repurchase agreements and securities loaned	8,011	(2,577)
Derivative financial instruments, net	(2,406)	1,632
Securitization – Credit cards	(37)	–
Interest and dividends receivable and interest payable	(6)	(105)
Current tax assets and liabilities	(437)	52
Other items	(1,461)	(226)
	5,134	4,342
Cash flows from financing activities		
Issuances of common shares (including the impact of shares purchased for trading)	48	32
Repurchases of common shares for cancellation	(48)	–
Purchase of the non-controlling interest of the Credigy Ltd. subsidiary	–	(300)
Repayments of lease liabilities	(25)	(24)
Dividends paid on shares and distributions on other equity instruments	(29)	(273)
	(54)	(565)
Cash flows from investing activities		
Net change in investments in associates and joint ventures	60	5
Purchases of non-trading securities	(1,920)	(1,575)
Maturities of non-trading securities	428	675
Sales of non-trading securities	2,007	2,226
Net change in premises and equipment, excluding right-of-use assets	(75)	(40)
Net change in intangible assets	(92)	(85)
	408	1,206
Impact of currency rate movements on cash and cash equivalents	696	(399)
Increase (decrease) in cash and cash equivalents	6,184	4,584
Cash and cash equivalents at beginning	33,879	29,142
Cash and cash equivalents at end(1)	40,063	33,726
Supplementary information about cash flows from operating activities		
Interest paid	594	641
Interest and dividends received	1,921	1,743
Income taxes paid	559	209

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 $7.7 billion as at January 31, 2022 ($6.8 billion as at October 31, 2021) for which there are restrictions and of which $5.1 billion ($4.9 billion as at October 31, 2021) represent the balances that the Bank must maintain with central banks, other regulatory agencies, and certain counterparties.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited) (millions of Canadian dollars)

Note 1 – Basis of Presentation

On February 24, 2022, the Board of Directors authorized the publication of the Bank's unaudited interim condensed consolidated financial statements (the consolidated financial statements) for the quarter ended January 31, 2022.

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, 2021. Future accounting policy changes that have not yet come into effect are described in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2021.

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

COVID-19 Pandemic Considerations

The COVID-19 pandemic continues to evolve, and, given the uncertainty associated with the unprecedented nature of the pandemic, developing reliable estimates and applying judgment continue to be substantially complex. Some of the Bank's accounting policies, such as measurement of expected credit losses, require particularly complex judgment and estimates. See Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2021 for a summary of the most significant estimation processes used to prepare the consolidated financial statements in accordance with IFRS and for the valuation techniques used to determine carrying values and fair values of assets and liabilities. The uncertainty regarding certain key inputs used in measuring expected credit losses is described in Note 5 to these consolidated financial statements.

(unaudited) (millions of Canadian dollars)

Note 2 – Fair Value of Financial Instruments

Fair Value and Carrying Value of Financial Instruments by Category

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

								As at January 31, 2022
	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	–	–	–	–	40,063	40,063	40,063	40,063
Securities	76,478	1,211	7,436	606	13,011	12,972	98,742	98,703
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	–	15,178	15,178	15,178	15,178
Loans and acceptances, net of allowances	8,928	–	–	–	179,152	178,026	188,080	186,954
Other								
Derivative financial instruments	15,333	–	–	–	–	–	15,333	15,333
Other assets	73	–	–	–	1,926	1,926	1,999	1,999
Financial liabilities								
Deposits(1)	–	14,540			232,555	232,461	247,095	247,001
Other								
Acceptances	–	–			6,768	6,768	6,768	6,768
Obligations related to securities sold short	20,529	–			–	–	20,529	20,529
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			25,304	25,304	25,304	25,304
Derivative financial instruments	15,810	–			–	–	15,810	15,810
Liabilities related to transferred receivables	–	10,909			14,198	14,072	25,107	24,981
Other liabilities	–	–			2,338	2,338	2,338	2,338
Subordinated debt	–	–			766	765	766	765

(1) Includes embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

As at October 31, 2021

	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	–	–	–	–	33,879	33,879	33,879	33,879
Securities	83,464	1,347	8,966	617	11,910	11,897	106,304	106,291
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	–	7,516	7,516	7,516	7,516
Loans and acceptances, net of allowances	8,539	–	–	–	174,150	173,769	182,689	182,308
Other								
Derivative financial instruments	16,484	–	–	–	–	–	16,484	16,484
Other assets	–	–	–	–	1,684	1,684	1,684	1,684
Financial liabilities								
Deposits(1)	–	14,018			226,920	227,054	240,938	241,072
Other								
Acceptances	–	–			6,836	6,836	6,836	6,836
Obligations related to securities sold short	20,266	–			–	–	20,266	20,266
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			17,293	17,293	17,293	17,293
Derivative financial instruments	19,367	–			–	–	19,367	19,367
Liabilities related to transferred receivables	–	11,398			13,772	13,724	25,170	25,122
Other liabilities	–	–			1,709	1,709	1,709	1,709
Subordinated debt	–	–			768	773	768	773

(1) Includes embedded derivative financial instruments.

Establishing Fair Value

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

Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Bank applies other valuation techniques that maximize the use of relevant observable inputs and that minimize the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates. Judgment is required when applying many of the valuation techniques. The Bank's valuation was based on its assessment of the conditions prevailing as at January 31, 2022 and may change in the future. Furthermore, there may be valuation uncertainty resulting from the choice of valuation model used.

Fair value is established in accordance with a rigorous control framework. The Bank has policies and procedures that govern the process for determining fair value. The Bank's valuation governance structure has remained largely unchanged from that described in Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2021. The valuation techniques used to determine the fair value of financial assets and financial liabilities are also described in this note, and no significant changes have been made to the valuation techniques.

(unaudited) (millions of Canadian dollars)

Note 2 – Fair Value of Financial Instruments (cont.)

Financial Instruments Recorded at Fair Value on the Consolidated Balance Sheet

Hierarchy of Fair Value Measurements

IFRS establishes a fair value measurement hierarchy that classifies the inputs used in financial instrument fair value measurement techniques according to three levels. This fair value hierarchy requires observable market inputs to be used whenever such inputs exist. According to the hierarchy, the highest level of inputs are unadjusted quoted prices in active markets for identical instruments and the lowest level of inputs are unobservable inputs. If inputs from different levels of the hierarchy are used, the financial instrument is classified in the same level as the lowest level input that is significant to the fair value measurement. For additional information, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2021.

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 on inputs used to determine fair value and the observable nature of those inputs.

During the quarter ended January 31, 2022, $15 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 ($6 million in securities classified as at fair value through profit or loss during the quarter ended January 31, 2021). In addition, during the quarter ended January 31, 2022, $2 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 resulting from changing market conditions ($10 million in securities classified as at fair value through profit or loss during the quarter ended January 31, 2021). During the quarters ended January 31, 2022 and 2021, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs resulting from changing market conditions.

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

				As at January 31, 2022
	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	2,831	5,573	–	8,404
Canadian provincial and municipal governments	–	8,415	–	8,415
U.S. Treasury, other U.S. agencies and other foreign governments	321	1,472	–	1,793
Other debt securities	–	2,682	41	2,723
Equity securities	55,395	541	418	56,354
	58,547	18,683	459	77,689
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	22	3,778	–	3,800
Canadian provincial and municipal governments	–	1,163	–	1,163
U.S. Treasury, other U.S. agencies and other foreign governments	1,406	228	–	1,634
Other debt securities	–	839	–	839
Equity securities	–	282	324	606
	1,428	6,290	324	8,042
Loans	–	8,627	301	8,928
Other				
Derivative financial instruments	245	15,086	2	15,333
Other assets – other items	–	–	73	73
	60,220	48,686	1,159	110,065
Financial liabilities				
Deposits	–	14,648	–	14,648
Other				
Obligations related to securities sold short	15,165	5,364	–	20,529
Derivative financial instruments	630	15,179	1	15,810
Liabilities related to transferred receivables	–	10,909	–	10,909
	15,795	46,100	1	61,896

(unaudited) (millions of Canadian dollars)

As at October 31, 2021

	Level 1	Level 2	Level 3	Total financial assets/liabilities at fair value
Financial assets				
Securities				
At fair value through profit or loss				
Securities issued or guaranteed by				
Canadian government	2,661	6,716	–	9,377
Canadian provincial and municipal governments	–	8,998	–	8,998
U.S. Treasury, other U.S. agencies and other foreign governments	2,547	1,878	–	4,425
Other debt securities	–	2,484	47	2,531
Equity securities	58,539	517	424	59,480
	63,747	20,593	471	84,811
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	19	4,214	–	4,233
Canadian provincial and municipal governments	–	2,313	–	2,313
U.S. Treasury, other U.S. agencies and other foreign governments	1,384	252	–	1,636
Other debt securities	–	784	–	784
Equity securities	–	311	306	617
	1,403	7,874	306	9,583
Loans	–	8,242	297	8,539
Other				
Derivative financial instruments	203	16,278	3	16,484
	65,353	52,987	1,077	119,417
Financial liabilities				
Deposits	–	14,215	–	14,215
Other				
Obligations related to securities sold short	15,546	4,720	–	20,266
Derivative financial instruments	693	18,673	1	19,367
Liabilities related to transferred receivables	–	11,398	–	11,398
	16,239	49,006	1	65,246

Financial Instruments Classified in Level 3

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

For a description of the valuation techniques and significant unobservable inputs used in determining the fair value of financial instruments classified in Level 3, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2021. For the quarter ended January 31, 2022, 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 for the fair value measurements of financial instruments classified in Level 3, substituting unobservable inputs with one or more reasonably possible alternative assumptions. For additional information on how a change in an unobservable input might affect the fair value measurements of Level 3 financial instruments, see Note 3 to the audited annual consolidated financial statements for the year ended October 31, 2021. For the quarter ended January 31, 2022, there were no significant changes in the sensitivity analyses of Level 3 financial instruments.

(unaudited) (millions of Canadian dollars)

Note 2 – Fair Value of Financial Instruments (cont.)

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

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

					Quarter ended January 31, 2022
	Securities at fair value through profit or loss	**Securities at fair value through other comprehensive income**	**Loans and other assets**	**Derivative financial instruments[1]**	**Deposits[2]**
Fair value as at October 31, 2021	**471**	**306**	**297**	**2**	**–**
Total realized and unrealized gains (losses) included in *Net income*[3]	**(14)**	**–**	**(4)**	**(1)**	**–**
Total realized and unrealized gains (losses) included in *Other comprehensive income*	**–**	**11**	**–**	**–**	**–**
Purchases	**29**	**7**	**71**	**–**	**–**
Sales	**(15)**	**–**	**–**	**–**	**–**
Issuances	**–**	**–**	**5**	**–**	**–**
Settlements and other	**–**	**–**	**5**	**–**	**–**
Financial instruments transferred into Level 3	**–**	**–**	**–**	**–**	**–**
Financial instruments transferred out of Level 3	**(12)**	**–**	**–**	**–**	**–**
Fair value as at January 31, 2022	**459**	**324**	**374**	**1**	**–**
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2022[4]	**(17)**	**11**	**(4)**	**(1)**	**–**

					Quarter ended January 31, 2021
	Securities at fair value through profit or loss	Securities at fair value through other comprehensive income	Loans and other assets	Derivative financial instruments[1]	Deposits[2]
Fair value as at October 31, 2020	457	373	372	29	2
Total realized and unrealized gains (losses) included in *Net income*[5]	165	–	15	(22)	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	–	–	–	–
Purchases	10	–	–	–	–
Sales	(8)	–	–	–	–
Issuances	–	–	3	–	–
Settlements and other	–	–	(54)	(1)	–
Financial instruments transferred into Level 3	–	–	–	–	–
Financial instruments transferred out of Level 3	–	–	–	–	(2)
Fair value as at January 31, 2021	624	373	336	6	–
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2021[6]	166	–	15	(22)	–

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) The amounts represent the fair value of embedded derivative financial instruments in deposits.
(3) Total gains (losses) included in *Non-interest income* was a loss of $19 million.
(4) Total unrealized gains (losses) included in *Non-interest income* was an unrealized loss of $11 million.
(5) Total gains (losses) included in *Non-interest income* was a gain of $158 million.
(6) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $159 million.

(unaudited) (millions of Canadian dollars)

Note 3 – 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, 2021. Consistent with its risk management strategy and in accordance with 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 financial liabilities or recognizing the gains and losses thereon on different bases, the Bank designated, at fair value through profit or loss, certain securities and certain liabilities related to transferred receivables. The fair value of liabilities related to transferred receivables does not include credit risk, as the holders of these liabilities are not exposed to the Bank's credit risk. The Bank also designated certain deposits that include embedded derivative financial instruments at fair value through profit or loss.

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

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

	Carrying value as at January 31, 2022	Unrealized gains (losses) for the quarter ended January 31, 2022	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	**1,211**	**(10)**	**17**
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	**14,540**	**107**	**(57)**
Liabilities related to transferred receivables	**10,909**	**59**	**81**
	25,449	**166**	**24**

	Carrying value as at January 31, 2021	Unrealized gains (losses) for the quarter ended January 31, 2021	Unrealized gains (losses) since the initial recognition of the instrument
Financial assets designated at fair value through profit or loss			
Securities	2,412	(6)	86
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	13,661	(691)	(70)
Liabilities related to transferred receivables	8,599	(1)	(222)
	22,260	(692)	(292)

(1) For the quarter ended January 31, 2022, 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 gain of $29 million ($114 million loss for the quarter ended January 31, 2021).

(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 4 – Securities

Credit Quality

As at January 31, 2022 and as at October 31, 2021, securities at fair value through other comprehensive income and securities at amortized cost are classified in Stage 1, with their credit quality falling mostly 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 5 to these consolidated financial statements.

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

				As at January 31, 2022
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Carrying value(1)**
Securities issued or guaranteed by				
Canadian government	**3,836**	**14**	**(50)**	**3,800**
Canadian provincial and municipal governments	**1,178**	**13**	**(28)**	**1,163**
U.S. Treasury, other U.S. agencies and other foreign governments	**1,664**	**–**	**(30)**	**1,634**
Other debt securities	**853**	**4**	**(18)**	**839**
Equity securities	**558**	**57**	**(9)**	**606**
	8,089	**88**	**(135)**	**8,042**

				As at October 31, 2021
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value(1)
Securities issued or guaranteed by				
Canadian government	4,241	30	(38)	4,233
Canadian provincial and municipal governments	2,345	27	(59)	2,313
U.S. Treasury, other U.S. agencies and other foreign governments	1,648	–	(12)	1,636
Other debt securities	782	9	(7)	784
Equity securities	569	57	(9)	617
	9,585	123	(125)	9,583

(1) The allowances for credit losses on securities at fair value through other comprehensive income (excluding the equity securities), representing an amount of $1 million as at January 31, 2022 ($1 million as at October 31, 2021), are reported in *Other comprehensive income*. For additional information, see Note 5 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 quarter ended January 31, 2022, a dividend income amount of $5 million was recognized for these investments ($3 million for the quarter ended January 31, 2021), including a negligible amount of dividend income for investments that were sold during the quarters ended January 31, 2022 and 2021.

			Quarter ended January 31, 2022			Quarter ended January 31, 2021
	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 beginning	**306**	**311**	**617**	373	246	619
Change in fair value	**11**	**(3)**	**8**	–	37	37
Designated at fair value through other comprehensive income	**7**	**10**	**17**	–	7	7
Sales(1)	**–**	**(36)**	**(36)**	–	(12)	(12)
Fair value at end	**324**	**282**	**606**	373	278	651

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

(unaudited) (millions of Canadian dollars)

Securities at Amortized Cost

	As at January 31, 2022	As at October 31, 2021
Securities issued or guaranteed by		
Canadian government	6,017	5,811
Canadian provincial and municipal governments	2,212	2,225
U.S. Treasury, other U.S. agencies and other foreign governments	126	–
Other debt securities	4,661	3,877
Gross carrying value	13,016	11,913
Allowances for credit losses	5	3
Carrying value	13,011	11,910

Gains (Losses) on Disposals of Securities at Amortized Cost

During the quarters ended January 31, 2022 and 2021, the Bank sold certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $66 million for the quarter ended January 31, 2022 ($143 million for the quarter ended January 31, 2021), and the Bank recognized gains of $1 million for the quarter ended January 31, 2022 (negligible amount for the quarter ended January 31, 2021) in *Non-interest income – Gains (losses) on non-trading securities, net* in the Consolidated Statement of Income.

Note 5 – 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 Notes 1 and 7 to the audited annual consolidated financial statements for the year ended October 31, 2021.

Credit Quality of Loans

The following tables present the gross carrying amounts of loans as at January 31, 2022 and as at October 31, 2021, 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 Ratings-Based (AIRB) categories, see the Internal Default Risk Ratings table on page 81 in the Credit Risk section of the *2021 Annual Report*.

(unaudited) (millions of Canadian dollars)

Note 5 – Loans and Allowances for Credit Losses (cont.)

						As at January 31, 2022
	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	29,380	14	–	–	–	29,394
Good	17,150	136	–	–	–	17,286
Satisfactory	9,414	2,352	–	–	–	11,766
Special mention	270	297	–	–	–	567
Substandard	73	159	–	–	–	232
Default	–	–	79	–	–	79
AIRB approach	56,287	2,958	79	–	–	59,324
Standardized approach	6,282	182	72	308	8,195	15,039
Gross carrying amount	62,569	3,140	151	308	8,195	74,363
Allowances for credit losses[2]	40	63	34	(57)	–	80
Carrying amount	62,529	3,077	117	365	8,195	74,283
Personal						
Excellent	16,025	26	–	–	–	16,051
Good	12,019	941	–	–	–	12,960
Satisfactory	4,889	1,545	–	–	–	6,434
Special mention	328	495	–	–	–	823
Substandard	100	151	–	–	–	251
Default	–	–	99	–	–	99
AIRB approach	33,361	3,158	99	–	–	36,618
Standardized approach	5,141	84	18	114	–	5,357
Gross carrying amount	38,502	3,242	117	114	–	41,975
Allowances for credit losses[2]	67	107	63	(25)	–	212
Carrying amount	38,435	3,135	54	139	–	41,763
Credit card						
Excellent	434	–	–	–	–	434
Good	292	–	–	–	–	292
Satisfactory	634	40	–	–	–	674
Special mention	297	155	–	–	–	452
Substandard	35	65	–	–	–	100
Default	–	–	–	–	–	–
AIRB approach	1,692	260	–	–	–	1,952
Standardized approach	87	–	–	–	–	87
Gross carrying amount	1,779	260	–	–	–	2,039
Allowances for credit losses[2]	34	90	–	–	–	124
Carrying amount	1,745	170	–	–	–	1,915
Business and government[3]						
Excellent	5,548	–	–	–	258	5,806
Good	24,102	73	–	–	53	24,228
Satisfactory	24,898	6,084	–	–	113	31,095
Special mention	104	1,408	–	–	–	1,512
Substandard	16	206	–	–	–	222
Default	–	–	261	–	–	261
AIRB approach	54,668	7,771	261	–	424	63,124
Standardized approach	7,035	84	79	–	309	7,507
Gross carrying amount	61,703	7,855	340	–	733	70,631
Allowances for credit losses[2]	113	175	224	–	–	512
Carrying amount	61,590	7,680	116	–	733	70,119
Total loans and acceptances						
Gross carrying amount	164,553	14,497	608	422	8,928	189,008
Allowances for credit losses[2]	254	435	321	(82)	–	928
Carrying amount	164,299	14,062	287	504	8,928	188,080

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

(unaudited) (millions of Canadian dollars)

As at October 31, 2021

	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	28,911	1	–	–	–	28,912
Good	17,083	53	–	–	–	17,136
Satisfactory	9,165	2,318	–	–	–	11,483
Special mention	314	266	–	–	–	580
Substandard	83	128	–	–	–	211
Default	–	–	82	–	–	82
AIRB approach	55,556	2,766	82	–	–	58,404
Standardized approach	5,803	129	57	332	7,817	14,138
Gross carrying amount	61,359	2,895	139	332	7,817	72,542
Allowances for credit losses[2]	50	52	29	(60)	–	71
Carrying amount	61,309	2,843	110	392	7,817	72,471
Personal						
Excellent	16,211	57	–	–	–	16,268
Good	11,439	1,041	–	–	–	12,480
Satisfactory	4,665	1,580	–	–	–	6,245
Special mention	336	483	–	–	–	819
Substandard	121	129	–	–	–	250
Default	–	–	101	–	–	101
AIRB approach	32,772	3,290	101	–	–	36,163
Standardized approach	4,692	51	15	132	–	4,890
Gross carrying amount	37,464	3,341	116	132	–	41,053
Allowances for credit losses[2]	70	98	63	(29)	–	202
Carrying amount	37,394	3,243	53	161	–	40,851
Credit card						
Excellent	559	–	–	–	–	559
Good	322	–	–	–	–	322
Satisfactory	623	38	–	–	–	661
Special mention	294	149	–	–	–	443
Substandard	38	62	–	–	–	100
Default	–	–	–	–	–	–
AIRB approach	1,836	249	–	–	–	2,085
Standardized approach	65	–	–	–	–	65
Gross carrying amount	1,901	249	–	–	–	2,150
Allowances for credit losses[2]	33	89	–	–	–	122
Carrying amount	1,868	160	–	–	–	2,028
Business and government[3]						
Excellent	5,086	–	–	–	269	5,355
Good	24,395	131	–	–	53	24,579
Satisfactory	22,808	6,254	–	–	140	29,202
Special mention	128	1,509	–	–	–	1,637
Substandard	45	194	–	–	–	239
Default	–	–	326	–	–	326
AIRB approach	52,462	8,088	326	–	462	61,338
Standardized approach	6,179	84	81	–	260	6,604
Gross carrying amount	58,641	8,172	407	–	722	67,942
Allowances for credit losses[2]	111	205	287	–	–	603
Carrying amount	58,530	7,967	120	–	722	67,339
Total loans and acceptances						
Gross carrying amount	159,365	14,657	662	464	8,539	183,687
Allowances for credit losses[2]	264	444	379	(89)	–	998
Carrying amount	159,101	14,213	283	553	8,539	182,689

(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 5 – Loans and Allowances for Credit Losses (cont.)

The following table presents the credit risk exposures of off-balance-sheet commitments as at January 31, 2022 and as at October 31, 2021 according to credit quality and ECL impairment stage.

			As at January 31, 2022					As at October 31, 2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments[1]								
Retail								
Excellent	17,408	33	–	17,441	17,053	72	–	17,125
Good	3,870	320	–	4,190	3,750	323	–	4,073
Satisfactory	1,178	261	–	1,439	1,085	229	–	1,314
Special mention	199	69	–	268	197	57	–	254
Substandard	16	15	–	31	16	13	–	29
Default	–	–	3	3	–	–	3	3
Non-retail								
Excellent	13,662	–	–	13,662	14,097	–	–	14,097
Good	18,057	2	–	18,059	17,497	2	–	17,499
Satisfactory	8,069	2,672	–	10,741	7,575	2,377	–	9,952
Special mention	11	299	–	310	14	336	–	350
Substandard	10	42	–	52	5	38	–	43
Default	–	–	4	4	–	–	3	3
AIRB approach	62,480	3,713	7	66,200	61,289	3,447	6	64,742
Standardized approach	15,075	1	–	15,076	14,872	–	1	14,873
Total exposure	77,555	3,714	7	81,276	76,161	3,447	7	79,615
Allowances for credit losses	96	49	–	145	104	58	–	162
Total exposure, net of allowances	77,459	3,665	7	81,131	76,057	3,389	7	79,453

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

Loans Past Due But Not Impaired[1]

				As at January 31, 2022				As at October 31, 2021
	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	81	74	19	23	48	71	20	24
61 to 90 days	23	26	10	7	18	21	9	13
Over 90 days[3]	–	–	21	–	–	–	21	–
	104	100	50	30	66	92	50	37

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

Impaired Loans

			As at January 31, 2022			As at October 31, 2021
	Gross	Allowances for credit losses	Net	Gross	Allowances for credit losses	Net
Loans – Stage 3						
Residential mortgage	151	34	117	139	29	110
Personal	117	63	54	116	63	53
Credit card[1]	–	–	–	–	–	–
Business and government[2]	340	224	116	407	287	120
	608	321	287	662	379	283
POCI loans	422	(82)	504	464	(89)	553
	1,030	239	791	1,126	290	836

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

(unaudited) (millions of Canadian dollars)

Allowances for Credit Losses

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

						Quarter ended January 31, 2022
	Allowances for credit losses as at October 31, 2021	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at January 31, 2022
Balance sheet						
Cash and deposits with financial institutions(2)(3)	5	2	–	–	–	7
Securities(3)						
At fair value through other comprehensive income(4)	1	–	–	–	–	1
At amortized cost(2)	3	2	–	–	–	5
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	71	10	(1)	–	–	80
Personal	202	15	(11)	–	6	212
Credit card	122	13	(15)	–	4	124
Business and government	515	–	(67)	–	3	451
Customers' liability under acceptances	88	(27)	–	–	–	61
	998	11	(94)	–	13	928
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	13	(3)	–	–	–	10
Undrawn commitments	143	(13)	–	–	–	130
Backstop liquidity and credit enhancement facilities	6	(1)	–	–	–	5
	162	(17)	–	–	–	145
	1,169	(2)	(94)	–	13	1,086

						Quarter ended January 31, 2021
	Allowances for credit losses as at October 31, 2020	Provisions for credit losses	Write-offs(1)	Disposals	Recoveries and other	Allowances for credit losses as at January 31, 2021
Balance sheet						
Cash and deposits with financial institutions(2)(3)	5	1	–	–	–	6
Securities(3)						
At fair value through other comprehensive income(4)	3	(1)	–	–	–	2
At amortized cost(2)	1	–	–	–	–	1
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	–	–	–	–	–	–
Loans(5)						
Residential mortgage	65	8	(1)	–	(1)	71
Personal	298	7	(24)	(7)	2	276
Credit card	169	12	(15)	–	5	171
Business and government	533	38	(27)	–	(2)	542
Customers' liability under acceptances	93	(4)	–	–	–	89
	1,158	61	(67)	(7)	4	1,149
Other assets(2)(3)	–	–	–	–	–	–
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	15	–	–	–	–	15
Undrawn commitments	157	20	–	–	–	177
Backstop liquidity and credit enhancement facilities	4	–	–	–	–	4
	176	20	–	–	–	196
	1,343	81	(67)	(7)	4	1,354

(1) The contractual amount outstanding on financial assets that were written off during the quarter ended January 31, 2022 and that are still subject to enforcement activity was $22 million ($29 million for the quarter ended January 31, 2021).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at January 31, 2022 and 2021, these financial assets were mainly classified in Stage 1 and their credit quality fell mostly 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 5 – Loans and Allowances for Credit Losses (cont.)

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

	Quarter ended January 31, 2022					Quarter ended January 31, 2021				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Residential mortgage										
Balance at beginning	50	52	29	(60)	71	63	23	35	(56)	65
Originations or purchases	5	–	–	–	5	2	–	–	–	2
Transfers[2]:										
to Stage 1	3	(3)	–	–	–	8	(4)	(4)	–	–
to Stage 2	(1)	1	–	–	–	(1)	1	–	–	–
to Stage 3	–	–	–	–	–	–	–	–	–	–
Net remeasurement of loss allowances[3]	(18)	14	6	4	6	(10)	9	2	6	7
Derecognitions[4]	–	(1)	–	–	(1)	–	(1)	–	–	(1)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(11)	11	6	4	10	(1)	5	(2)	6	8
Write-offs	–	–	(1)	–	(1)	–	–	(1)	–	(1)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	1	–	1
Foreign exchange movements and other	1	–	–	(1)	–	(2)	–	(2)	2	(2)
Balance at end	40	63	34	(57)	80	60	28	31	(48)	71
Includes:										
Amounts drawn	40	63	34	(57)	80	60	28	31	(48)	71
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance at beginning	73	103	63	(29)	210	89	148	76	(10)	303
Originations or purchases	12	–	–	–	12	8	–	–	–	8
Transfers[2]:										
to Stage 1	18	(16)	(2)	–	–	26	(23)	(3)	–	–
to Stage 2	(3)	3	–	–	–	(3)	4	(1)	–	–
to Stage 3	–	(6)	6	–	–	–	(8)	8	–	–
Net remeasurement of loss allowances[3]	(26)	23	3	4	4	(30)	23	9	4	6
Derecognitions[4]	(3)	(4)	(1)	–	(8)	(3)	(4)	–	–	(7)
Changes to models	(2)	8	–	–	6	–	–	–	–	–
Provisions for credit losses	(4)	8	6	4	14	(2)	(8)	13	4	7
Write-offs	–	–	(11)	–	(11)	–	–	(24)	–	(24)
Disposals	–	–	–	–	–	(6)	(1)	–	–	(7)
Recoveries	–	–	5	–	5	–	–	5	–	5
Foreign exchange movements and other	1	–	–	–	1	(1)	(1)	(1)	–	(3)
Balance at end	70	111	63	(25)	219	80	138	69	(6)	281
Includes:										
Amounts drawn	67	107	63	(25)	212	78	135	69	(6)	276
Undrawn commitments[5]	3	4	–	–	7	2	3	–	–	5

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2022 was $5 million (no POCI loan was acquired during the quarter ended January 31, 2021). The expected credit losses reflected in the purchase price have been 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 January 31, 2022					Quarter ended January 31, 2021				
	Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans			Allowances for credit losses on non-impaired loans		Allowances for credit losses on impaired loans		
	Stage 1	Stage 2	Stage 3	POCI[1]	Total	Stage 1	Stage 2	Stage 3	POCI[1]	Total
Credit card										
Balance at beginning	57	101	–	–	158	68	137	–	–	205
Originations or purchases	3	–	–	–	3	2	–	–	–	2
Transfers[2]:										
to Stage 1	22	(22)	–	–	–	29	(29)	–	–	–
to Stage 2	(5)	5	–	–	–	(3)	3	–	–	–
to Stage 3	–	(5)	5	–	–	–	(7)	7	–	–
Net remeasurement of loss allowances[3]	(21)	24	6	–	9	(23)	30	3	–	10
Derecognitions[4]	(1)	–	–	–	(1)	(1)	–	–	–	(1)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(2)	2	11	–	11	4	(3)	10	–	11
Write-offs	–	–	(15)	–	(15)	–	–	(15)	–	(15)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	4	–	4	–	–	5	–	5
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	55	103	–	–	158	72	134	–	–	206
Includes:										
Amounts drawn	34	90	–	–	124	48	123	–	–	171
Undrawn commitments[5]	21	13	–	–	34	24	11	–	–	35
Business and government[6]										
Balance at beginning	177	238	287	–	702	214	287	241	–	742
Originations or purchases	22	–	–	–	22	29	–	–	–	29
Transfers[2]:										
to Stage 1	28	(28)	–	–	–	6	(5)	(1)	–	–
to Stage 2	(8)	9	(1)	–	–	(24)	25	(1)	–	–
to Stage 3	–	(1)	1	–	–	–	(5)	5	–	–
Net remeasurement of loss allowances[3]	(35)	(2)	1	–	(36)	(10)	6	44	–	40
Derecognitions[4]	(9)	(14)	–	–	(23)	(6)	(5)	(3)	–	(14)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	(2)	(36)	1	–	(37)	(5)	16	44	–	55
Write-offs	–	–	(67)	–	(67)	–	–	(27)	–	(27)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	1	–	1	–	–	1	–	1
Foreign exchange movements and other	–	–	2	–	2	–	(1)	(2)	–	(3)
Balance at end	175	202	224	–	601	209	302	257	–	768
Includes:										
Amounts drawn	113	175	224	–	512	130	244	257	–	631
Undrawn commitments[5]	62	27	–	–	89	79	58	–	–	137
Total allowances for credit losses at end[7]	340	479	321	(82)	1,058	421	602	357	(54)	1,326
Includes:										
Amounts drawn	254	435	321	(82)	928	316	530	357	(54)	1,149
Undrawn commitments[5]	86	44	–	–	130	105	72	–	–	177

(1) The total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2022 was $5 million (no POCI loan was acquired during the quarter ended January 31, 2021). The expected credit losses reflected in the purchase price have been 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 5 – Loans and Allowances for Credit Losses (cont.)

Main Macroeconomic Factors

The following tables show the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario, namely, the base scenario, upside scenario, and downside scenario, the average values of the macroeconomic factors over the next 12 months (used for Stage 1 credit loss calculations) and over the remaining forecast period (used for Stage 2 credit loss calculations) are presented.

						As at January 31, 2022
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic factors(1)						
GDP growth(2)	3.7 %	1.4 %	4.3 %	1.8 %	(5.3) %	3.3 %
Unemployment rate	6.0 %	5.7 %	5.7 %	5.1 %	8.5 %	7.0 %
Housing price index growth(2)	2.0 %	0.2 %	4.0 %	1.9 %	(11.5) %	1.2 %
BBB spread(3)	1.7 %	1.9 %	1.6 %	1.7 %	3.0 %	2.2 %
S&P/TSX growth(2)(4)	7.4 %	1.7 %	10.3 %	2.6 %	(25.6) %	5.5 %
WTI oil price(5) *(US$ per barrel)*	83	75	87	82	37	43

						As at October 31, 2021
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic factors(1)						
GDP growth(2)	4.2 %	1.6 %	4.7 %	1.9 %	(5.5) %	3.7 %
Unemployment rate	6.6 %	6.3 %	6.3 %	5.6 %	9.5 %	7.8 %
Housing price index growth(2)	2.0 %	0.2 %	4.0 %	1.9 %	(11.5) %	1.2 %
BBB spread(3)	1.7 %	1.9 %	1.6 %	1.7 %	3.1 %	2.2 %
S&P/TSX growth(2)(4)	4.8 %	2.1 %	8.6 %	3.1 %	(25.6) %	5.5 %
WTI oil price(5) *(US$ per barrel)*	70	65	77	77	35	34

(1) All macroeconomic factors are based on the Canadian economy unless otherwise indicated.
(2) Growth rate is annualized.
(3) Yield on corporate BBB bonds less yield on Canadian federal government bonds with 10-year maturity.
(4) Main stock index in Canada.
(5) The West Texas Intermediate (WTI) index is commonly used as a benchmark for the price of oil.

The main macroeconomic factors used for the personal credit portfolio are unemployment rate and growth in the housing price index, based on the economy of Canada or Quebec. The main macroeconomic factors used for the business and government credit portfolio are unemployment rate, spread on corporate BBB bonds, S&P/TSX growth, and WTI oil price. An increase in unemployment rate or BBB spread will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (GDP, S&P/TSX, housing price index, and WTI oil price) will generally correlate with lower allowances for credit losses.

During the quarter ended January 31, 2022, the macroeconomic outlook evolved.

According to the base scenario, the Canadian economy will experience a brief pause before rebounding, as fewer cases of the Omicron variant will lead to a gradual easing of health measures. Despite a weak quarter, the labour market will continue to recover, and the unemployment rate will stand at 5.6% after 12 months, which is slightly below its pre-recession level (5.7%). The increase in housing prices will slow to 2.0% year over year. The S&P/TSX will stand at 22,600 points after one year, with the price of oil at US$81.

According to the upside scenario, the economy will rebound more strongly as vaccination programs prove effective, particularly against variants, and as supply chain congestion eases. Governments will maintain fiscal policies that support growth, and consumer spending will trend upward given the excess savings accumulated since the start of the pandemic. The unemployment rate after one year will be more favourable than the base scenario (three-tenths lower). Housing prices will climb 4.0%, and the S&P/TSX will stand at 23,223 points after one year, with the price of oil at US$86.

According to the downside scenario, vaccines will prove ineffective against certain variants, and the economy will be adversely affected by new lockdown measures. Supply chain bottlenecks will hinder profitability. Governments will continue to support households and businesses, but, due to budgetary constraints, will be unable to match the generosity of the programs adopted at the start of the pandemic. This will cause the economy to tumble and slip back into recession. The unemployment rate will therefore trend upward to 9.2% after 12 months. Housing prices will decrease considerably. The S&P/TSX will stand at 15,659 points after one year, with the price of oil at US$30.

Given uncertainty surrounding the key inputs used to measure credit losses, the Bank has applied expert credit judgment to adjust the modelled expected credit loss results.

(unaudited) (millions of Canadian dollars)

Sensitivity Analysis of Allowances for Credit Losses on Non-Impaired Loans

Scenarios

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired loans (Stages 1 and 2) as at January 31, 2022 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	Allowances for credit losses on non-impaired loans
Balance as at January 31, 2022	**819**
Simulations	
100% upside scenario	**594**
100% base scenario	**649**
100% downside scenario	**1,155**

Note 6 – Financial Assets Transferred But Not Derecognized

In the normal course of its business, the Bank enters into transactions in which it transfers financial assets such as securities or loans directly to third parties, in particular structured entities. According to the terms of some of those transactions, the Bank retains substantially all of the risks and rewards related to those financial assets. The risks include credit risk, interest rate risk, foreign exchange risk, prepayment risk, and other price risks, whereas the rewards include income streams associated with the financial assets. As such, those financial assets are not derecognized and the transactions are treated as collateralized or secured borrowings. For additional information on the nature of those transactions, see Note 8 to the audited annual consolidated financial statements for the year ended October 31, 2021.

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

	As at January 31, 2022	As at October 31, 2021
Carrying value of financial assets transferred but not derecognized		
Securities(1)	**66,467**	68,296
Residential mortgages	**22,519**	22,413
	88,986	90,709
Carrying value of associated liabilities(2)	**45,108**	40,779
Fair value of financial assets transferred but not derecognized		
Securities(1)	**66,467**	68,296
Residential mortgages	**22,215**	22,249
	88,682	90,545
Fair value of associated liabilities(2)	**44,982**	40,731

(1) The amount related to the securities loaned is the maximum amount of Bank securities that can be lent. For obligations related to securities sold under repurchase agreements, the amount includes the Bank's own financial assets as well as those of third parties and excludes bearer deposit notes issued by the Bank and covered bonds issued by the Bank.

(2) Associated liabilities include liabilities related to transferred receivables and obligations related to securities sold under repurchase agreements before the offsetting impact of $878 million as at January 31, 2022 ($3,367 million as at October 31, 2021) excluding repurchase agreements guaranteed by bearer deposit notes issued by the Bank and covered bonds issued by the Bank. 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 stood at $9,374 million before the offsetting impact of $4,580 million as at January 31, 2022 ($7,993 million before the offsetting impact of $4,333 million as at October 31, 2021).

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

	As at January 31, 2022	As at October 31, 2021
Carrying value of financial assets transferred but not derecognized		
Securities backed by insured residential mortgage loans and other securities sold to Canada Housing Trust	**24,031**	24,034
Securities sold under repurchase agreements	**22,221**	17,553
Securities loaned	**42,734**	49,122
	88,986	90,709

(unaudited) (millions of Canadian dollars)

Note 7 – Other Assets

	As at January 31, 2022	As at October 31, 2021
Receivables, prepaid expenses and other items	1,446	1,228
Interest and dividends receivable	663	696
Due from clients, dealers and brokers	1,263	988
Defined benefit asset	820	691
Deferred tax assets	252	354
Current tax assets	480	445
Reinsurance assets	27	28
Insurance assets	56	38
	5,007	4,468

Note 8 – Deposits

				As at January 31, 2022	As at October 31, 2021
	On demand[1]	After notice[2]	Fixed term[3]	Total	Total
Personal	6,506	35,980	28,712	71,198	70,076
Business and government	57,361	30,518	84,709	172,588	167,870
Deposit-taking institutions	1,207	450	1,652	3,309	2,992
	65,074	66,948	115,073	247,095	240,938

(1) Demand deposits are deposits for which the Bank does not have the right to require a notice of withdrawal and consist essentially of deposits in chequing accounts.
(2) Notice deposits are deposits for which the Bank may legally require a 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 $8.8 billion as at January 31, 2022 ($8.8 billion as at October 31, 2021). During the quarter ended January 31, 2022, an amount of 1.0 billion euros in covered bonds came to maturity and the Bank issued 1.0 billion euros in covered bonds (US$270 million in covered bonds came to maturity during the quarter ended January 31, 2021). For additional information on covered bonds, see Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2021.

In addition, as at January 31, 2022, the *Deposits – Business and government* item also includes deposits of $13.4 billion ($11.9 billion as at October 31, 2021) 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 9 – Other Liabilities

	As at January 31, 2022	As at October 31, 2021
Accounts payable and accrued expenses	1,836	2,469
Subsidiaries' debts to third parties	310	437
Interest and dividends payable	809	552
Lease liabilities	564	575
Due to clients, dealers and brokers	1,170	735
Defined benefit liability	138	143
Allowances for credit losses – Off-balance-sheet commitments (Note 5)	145	162
Deferred tax liabilities	13	10
Current tax liabilities	76	478
Insurance liabilities	7	11
Other items[1][2][3]	792	729
	5,860	6,301

(1) As at January 31, 2022, *Other* items included an $11 million litigation provision ($12 million as at October 31, 2021).
(2) As at January 31, 2022, *Other* items included $33 million in provisions for onerous contracts ($33 million as at October 31, 2021).
(3) As at January 31, 2022, *Other* items included the financial liability resulting from put options written to non-controlling interests of Flinks Technology Inc. (Flinks) for an amount of $26 million ($25 million as at October 31, 2021).

(unaudited) (millions of Canadian dollars)

Note 10 – Share Capital and Other Equity Instruments

Repurchase of Common Shares

On December 10, 2021, the Bank began a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2% of its outstanding common shares) over the 12-month period ending no later than December 9, 2022. Any repurchase through the Toronto Stock Exchange will be 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 quarter ended January 31, 2022, the Bank repurchased 500,000 common shares for $48 million, which reduced *Common share* capital by $5 million and *Retained earnings* by $43 million.

Shares and Other Equity Instruments Outstanding

	As at January 31, 2022		As at October 31, 2021	
	Number of shares or LRCN[1]	Shares or LRCN $	Number of shares or LRCN	Shares or LRCN $
First Preferred Shares				
Series 30	14,000,000	350	14,000,000	350
Series 32	12,000,000	300	12,000,000	300
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
	66,000,000	1,650	66,000,000	1,650
Other equity instruments				
LRCN – Series 1	500,000	500	500,000	500
LRCN – Series 2	500,000	500	500,000	500
	1,000,000	1,000	1,000,000	1,000
Preferred shares and other equity instruments	67,000,000	2,650	67,000,000	2,650
Common shares at beginning of fiscal year	337,912,283	3,160	335,997,660	3,057
Issued pursuant to the Stock Option Plan	847,259	42	1,930,033	104
Repurchases of common shares for cancellation	(500,000)	(5)	–	–
Impact of shares purchased or sold for trading[2]	107,700	11	(14,432)	(1)
Other	–	–	(978)	–
Common shares at end of period	338,367,242	3,208	337,912,283	3,160

(1) Limited Recourse Capital Notes (LRCN).
(2) As at January 31, 2022, a total of 120,745 shares were sold short for trading, representing an amount of $12 million (13,045 shares were sold short for trading representing $1 million as at October 31, 2021).

(unaudited) (millions of Canadian dollars)

Note 10 – Share Capital and Other Equity Instruments (cont.)

Dividends Declared and Distributions on Other Equity Instruments

	Quarter ended January 31			
	2022		2021	
	Dividends or interest $	Dividends per share	Dividends or interest $	Dividends per share
First Preferred Shares				
Series 30	3	0.2516	3	0.2516
Series 32	3	0.2399	3	0.2399
Series 34	–	–	6	0.3500
Series 36	–	–	5	0.3375
Series 38	5	0.2781	5	0.2781
Series 40	3	0.2875	3	0.2875
Series 42	4	0.3094	4	0.3094
	18		29	
Other equity instruments				
LRCN – Series 1(1)	5		5	
LRCN – Series 2(2)	5		–	
	10		5	
Preferred shares and other equity instruments	28		34	
Common shares	294	0.8700	239	0.7100
	322		273	

(1) The LRCN – Series 1 bear interest at a fixed rate of 4.30% per annum.
(2) The LRCN – Series 2 bear interest at a fixed rate of 4.05% per annum.

Note 11 – Capital Disclosure

The Bank and all other major Canadian banks have to maintain minimum capital ratios established by OSFI: a CET1 capital ratio of at least 10.5%, a Tier 1 capital ratio of at least 12.0%, and a Total capital ratio of at least 14.0%. All of these ratios are to include a capital conservation buffer of 2.5% established by the Basel Committee on Banking Supervision and OSFI as well as a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs), and a 2.5% domestic stability buffer. The domestic stability buffer, which can vary from 0% to 2.5% of risk-weighted assets, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. On December 10, 2021, OSFI confirmed that the domestic stability buffer was being maintained at 2.5%. Banks also have to meet the capital floor that sets the regulatory capital level according to the Basel II standardized approach. If the capital requirement under Basel III is less than 70% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. Lastly, OSFI is requiring Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

Since November 1, 2021, OSFI has also been requiring D-SIBs to maintain a risk-based total loss-absorbing capacity (TLAC) ratio of at least 24.0% (including the domestic stability buffer) of risk-weighted assets and a TLAC leverage ratio of at least 6.75%. The purpose of TLAC is to ensure that a D-SIB has sufficient loss-absorbing capacity to support its recapitalization in the unlikely event it becomes non-viable.

During the quarter ended January 31, 2022, the Bank was in compliance with all of OSFI's regulatory capital requirements.

(unaudited) (millions of Canadian dollars)

Regulatory Capital and Ratios Under Basel III[1]

	As at January 31, 2022		As at October 31, 2021	
	Adjusted[2]		Adjusted[2]	
Capital				
CET1	13,467	13,515	12,866	12,973
Tier 1	16,116	16,164	15,515	15,622
Total	17,123	17,123	16,643	16,643
Risk-weighted assets	106,168	106,168	104,358	104,358
Total exposure	367,775	367,775	351,160	351,160
Capital ratios				
CET1	12.7 %	12.7 %	12.3 %	12.4 %
Tier 1	15.2 %	15.2 %	14.9 %	15.0 %
Total	16.1 %	16.1 %	15.9 %	15.9 %
Leverage ratio	4.4 %	4.4 %	4.4 %	4.4 %
TLAC ratio[3]	27.8 %	27.8 %	26.3 %	26.3 %
TLAC leverage ratio[3]	8.0 %	8.0 %	7.8 %	7.8 %

(1) Regulatory capital and ratios are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements* guideline.
(2) Adjusted regulatory capital and ratios are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements* guideline, and exclude the transitional measure for provisioning expected credit losses. For additional information, see the section entitled COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities on page 17 of the *2021 Annual Report*.
(3) The TLAC ratio and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity* guideline.

Note 12 – Share-Based Payments

Stock Option Plan
During the quarter ended January 31, 2022, the Bank awarded 1,771,588 stock options (2,043,196 stock options during the quarter ended January 31, 2021) with an average fair value of $13.24 per option ($8.24 in 2021).

As at January 31, 2022, there were 12,258,358 stock options outstanding (11,348,680 stock options as at October 31, 2021).

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

	Quarter ended January 31	
	2022	2021
Risk-free interest rate	**1.79%**	1.02%
Expected life of options	**7 years**	7 years
Expected volatility	**22.68%**	22.59%
Expected dividend yield	**3.88%**	4.24%

During the quarter ended January 31, 2022, a $4 million compensation expense was recorded for this plan ($3 million for the quarter ended January 31, 2021).

Note 13 – Employee Benefits – Pension Plans and Other Post-Employment Benefits

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

Cost for Pension Plans and Other Post-Employment Benefit Plans

				Quarter ended January 31
	Pension plans		Other post-employment benefit plans	
	2022	2021	**2022**	2021
Current service cost	**31**	36	**–**	–
Interest expense (income), net	**(5)**	–	**1**	1
Administrative costs	**1**	1		
Expense recognized in *Net income*	**27**	37	**1**	1
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**(185)**	(40)	**(4)**	(1)
Return on plan assets(2)	**58**	(138)		
Remeasurements recognized in *Other comprehensive income*	**(127)**	(178)	**(4)**	(1)
	(100)	(141)	**(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 14 – Earnings Per Share

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

		Quarter ended January 31
	2022	2021
Basic earnings per share		
Net income attributable to the Bank's shareholders and holders of other equity instruments	**932**	761
Dividends on preferred shares and distributions on other equity instruments	**26**	33
Net income attributable to common shareholders	**906**	728
Weighted average basic number of common shares outstanding *(thousands)*	**338,056**	336,408
Basic earnings per share *(dollars)*	**2.68**	2.16
Diluted earnings per share		
Net income attributable to common shareholders	**906**	728
Weighted average basic number of common shares outstanding *(thousands)*	**338,056**	336,408
Adjustment to average number of common shares *(thousands)*		
Stock options(1)	**4,262**	2,209
Weighted average diluted number of common shares outstanding *(thousands)*	**342,318**	338,617
Diluted earnings per share *(dollars)*	**2.65**	2.15

(1) For the quarter ended January 31, 2022, as the exercise price of the options was lower than the average price of the Bank's common shares, no options were excluded from the diluted earnings per share calculation. For the quarter ended January 31, 2021, the calculation of diluted earnings per share had excluded an average number of 1,752,270 options outstanding with a weighted average exercise price of $71.86, as the exercise price of these options was greater than the average price of the Bank's common shares.

(unaudited) (millions of Canadian dollars)

Note 15 – 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 fiscal year beginning November 1, 2021. This presentation reflects the fact that the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which had been reported in the Personal and Commercial segment, are now reported in the Financial Markets 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.

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

The USSF&I segment encompasses the specialty finance expertise provided by the Credigy Ltd. subsidiary; the activities of the Advanced Bank of Asia Limited subsidiary, which offers financial products and services to individuals and businesses in Cambodia; and the activities of targeted investments in certain emerging markets.

Other

This heading encompasses treasury activities; liquidity management; Bank funding; asset/liability management activities; the activities of the Flinks subsidiary, which offers fintech services; certain specified items; and the unallocated portion of corporate units.

Quarter ended January 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net interest income[2]	**669**	629	**119**	109	**398**	336	**270**	219	**(124)**	(86)	**1,332**	1,207
Non-interest income[2]	**289**	252	**473**	409	**264**	262	**15**	55	**93**	39	**1,134**	1,017
Total revenues	**958**	881	**592**	518	**662**	598	**285**	274	**(31)**	(47)	**2,466**	2,224
Non-interest expenses	**532**	496	**352**	305	**260**	231	**80**	83	**53**	65	**1,277**	1,180
Income before provisions for credit losses and income taxes	**426**	385	**240**	213	**402**	367	**205**	191	**(84)**	(112)	**1,189**	1,044
Provisions for credit losses	**(5)**	45	**–**	(2)	**(16)**	20	**18**	18	**1**	–	**(2)**	81
Income before income taxes (recovery)	**431**	340	**240**	215	**418**	347	**187**	173	**(85)**	(112)	**1,191**	963
Income taxes (recovery)[2]	**114**	90	**64**	57	**111**	92	**39**	37	**(69)**	(74)	**259**	202
Net income	**317**	250	**176**	158	**307**	255	**148**	136	**(16)**	(38)	**932**	761
Non-controlling interests	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	**317**	250	**176**	158	**307**	255	**148**	136	**(16)**	(38)	**932**	761
Average assets	**136,288**	120,640	**8,136**	6,537	**157,761**	152,444	**17,974**	15,545	**68,700**	62,947	**388,859**	358,113

(1) For the quarter ended January 31, 2021, certain amounts have been reclassified, in particular amounts of the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which were transferred from the Personal and Commercial segment to the Financial Markets 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 $60 million ($54 million in 2021), *Non-interest income* was grossed up by $4 million ($3 million in 2021), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

Information for Shareholders and Investors

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

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

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

Quarterly Report Publication Dates for Fiscal 2022
(subject to approval by the Board of Directors of the Bank)

First quarter	February 25
Second quarter	May 27
Third quarter	August 24
Fourth quarter	November 30

Disclosure of First Quarter 2022 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Friday, February 25, 2022 at 11:00 a.m. EST.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 8772703#.
- A recording of the conference call can be heard until March 25, 2022 by dialing 1-800-408-3053 or 905-694-9451. The access code is 2805224#.

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 on the morning of the day 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 holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. 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