Report to Shareholders — First Quarter 2023

National Bank reports its results for the First Quarter of 2023

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the first quarter ended January 31, 2023 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, March 1, 2023 – For the first quarter of 2023, National Bank is reporting net income of $881 million, down 5% from $930 million in the first quarter of 2022. First-quarter diluted earnings per share stood at $2.49 compared to $2.64 in the first quarter of 2022. Revenue growth in all of the business segments was offset by higher non-interest expenses, higher provisions for credit losses, and the impact of a tax expense arising from the Canadian government's 2022 tax measures.

For the first quarter of 2023, adjusted net income[1] totalled $905 million versus $930 million in the same quarter of 2022, and first-quarter adjusted diluted earnings per share[1] stood at $2.56 compared to $2.64 in the same quarter of 2022. These decreases were mainly due to higher provisions for credit losses on non-impaired loans recorded in the first quarter of 2023 to reflect a less favourable macroeconomic environment than in the first quarter of 2022. Adjusted income before provisions for credit losses and income taxes[1] rose 5% owing to revenue growth in all the business segments.

"The Bank is starting the year on solid footing with robust results across all business segments and strong margin performance. The Bank generated superior return on equity, highlighting the strategic diversification of our earnings stream," said Laurent Ferreira, President and Chief Executive Officer of National Bank of Canada.

"In a highly uncertain macroeconomic environment, we are maintaining a defensive positioning. Our credit portfolios continue to perform well, and we have substantial allowances for credit losses. Our capital level is strong, giving us the flexibility to invest in our businesses to drive future growth," added Mr. Ferreira.

Highlights

(millions of Canadian dollars) — Quarter ended January 31

	2023	2022[2]	% Change
Net income	**881**	930	(5)
Diluted earnings per share *(dollars)*	**$ 2.49**	$ 2.64	(6)
Income before provisions for credit losses and income taxes	**1,179**	1,186	(1)
Return on common shareholders' equity[3]	**17.9 %**	21.9 %	
Dividend payout ratio[3]	**38.5 %**	31.6 %	
Operating results – Adjusted[1]			
Net income – Adjusted	**905**	930	(3)
Diluted earnings per share – Adjusted *(dollars)*	**$ 2.56**	$ 2.64	(3)
Income before provisions for credit losses and income taxes – Adjusted	**1,309**	1,250	5
Return on common shareholders' equity – Adjusted[4]	**18.4 %**	21.9 %	
Dividend payout ratio – Adjusted[4]	**38.3 %**	31.5 %	

	As at January 31, 2023	As at October 31, 2022
CET1 capital ratio under Basel III[5]	**12.6 %**	12.7 %
Leverage ratio under Basel III[5]	**4.5 %**	4.5 %

(1) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP financial measures.
(2) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.
(3) See the Glossary section on pages 45 to 48 for details on the composition of these measures.
(4) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP ratios.
(5) See the Financial Reporting Method section on pages 4 to 8 for additional information on capital management measures.

Personal and Commercial

- Net income totalled $331 million in the first quarter of 2023 versus $300 million in the first quarter of 2022, a 10% increase that was driven by growth in total revenues, partly offset by higher provisions for credit losses.
- Income before provisions for credit losses and income taxes totalled $518 million in the first quarter of 2023, up 29% from $403 million in the first quarter of 2022.
- At $1,124 million, first-quarter total revenues rose $166 million or 17% year over year due to an increase in net interest income (driven by growth in loan and deposit volumes), to a higher net interest margin, and to an increase in non-interest income.
- Compared to a year ago, personal lending grew 5% and commercial lending grew 12%.
- Net interest margin(1) stood at 2.35% in the first quarter of 2023, up from 2.05% in the first quarter of 2022.
- First-quarter non-interest expenses stood at $606 million, up 9% from the first quarter of 2022.
- First-quarter provisions for credit losses were $66 million higher than those of first-quarter 2022, mainly because higher allowances for credit losses on non-impaired loans were recorded to reflect a less favourable macroeconomic outlook, whereas, in the first quarter of 2022, a more favourable macroeconomic outlook had led to reversals of allowances for credit losses on non-impaired loans.
- At 53.9%, the first-quarter efficiency ratio(1) improved from 57.9% in the first quarter of 2022.

Wealth Management

- Net income totalled $198 million in the first quarter of 2023, a 16% increase from $170 million in the first quarter of 2022.
- First-quarter total revenues amounted to $637 million compared to $592 million in first-quarter 2022, a $45 million or 8% increase driven by growth in net interest income.
- First-quarter non-interest expenses stood at $364 million, up 1% from $360 million in first-quarter 2022.
- At 57.1%, the first-quarter efficiency ratio(1) improved from 60.8% in the first quarter of 2022.

Financial Markets

- Net income totalled $298 million in the first quarter of 2023, down 2% from $305 million in the first quarter of 2022.
- First-quarter total revenues on a taxable equivalent basis amounted to $689 million, a $27 million or 4% year-over-year increase driven by growth in corporate and investment banking revenues.
- First-quarter non-interest expenses stood at $287 million compared to $263 million in first-quarter 2022, an increase that was partly attributable to compensation and employee benefits as well as to operations support charges.
- Recoveries of credit losses of $9 million were recorded in the first quarter of 2023 compared to credit loss recoveries of $16 million recorded in the first quarter of 2022.
- At 41.7%, the efficiency ratio(1) on a taxable equivalent basis compares to 39.7% in the first quarter of 2022.

U.S. Specialty Finance and International

- Net income totalled $147 million in the first quarter of 2023 compared to $148 million in the first quarter of 2022, as growth in total revenues was more than offset by higher non-interest expenses and higher provisions for credit losses.
- First-quarter total revenues amounted to $319 million, a 12% year-over-year increase driven by revenue growth at both the Credigy and ABA Bank subsidiaries.
- First-quarter non-interest expenses stood at $98 million, a 23% year-over-year increase essentially attributable to business growth at ABA Bank.
- First-quarter provisions for credit losses were up $17 million year over year, an increase attributable to the Credigy subsidiary.
- At 30.7%, the first-quarter efficiency ratio(1) compares to 28.1% in the first quarter of 2022.

Other

- There was a net loss of $93 million in the first quarter of 2023 compared to net income of $7 million in first-quarter 2022, a change resulting mainly from a decrease in total revenues (associated with a lower contribution from Treasury activities) as well as from a $24 million tax expense related to the Canadian government's 2022 tax measures recorded in the first quarter of 2023.

Capital Management

- As at January 31, 2023, the Common Equity Tier 1 (CET1) capital ratio under Basel III(2) stood at 12.6%, down from 12.7% as at October 31, 2022.
- As at January 31, 2023, the Basel III leverage ratio(2) was 4.5%, unchanged from October 31, 2022.

(1) See the Glossary section on pages 45 to 48 for details on the composition of these measures.
(2) See the Financial Reporting Method section on pages 4 to 8 for additional information on capital management measures.

Management's Discussion and Analysis

February 28, 2023

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, 2023 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, 2023 and with the *2022 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. The information found in the various documents and reports published by the Bank or the information available on the Bank's website and 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, unless expressly stated otherwise.

Caution Regarding Forward-Looking Statements

Certain statements in this document are forward-looking statements. 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 2023 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 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. These forward-looking statements are based on current expectations, estimates, assumptions and intentions and are subject to uncertainty and inherent risks, many of which are beyond the Bank's control.

Assumptions about the performance of the Canadian and U.S. economies in 2023 and how that performance 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.

Statements about the economy, market changes, and the Bank's objectives, outlook and priorities for fiscal 2023 and thereafter are based on a number of assumptions and are subject to risk factors, many of which are beyond the Bank's control and the impacts of which are difficult to predict. These risk factors 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; inflation; disruptions in global supply chains; 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 disruptions 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; the risk of fraudulent activity; 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 evolution of which is difficult to predict and could continue to have repercussions on the Bank.

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 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 65 of the *2022 Annual Report.*

The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section of the *2022 Annual Report* and the Risk Management section of this *Report to Shareholders* for the First Quarter of 2023. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf. The Bank cautions investors that these forward-looking statements are not guarantees of future performance and that actual events or results may differ significantly from these statements due to a number of factors.

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, 2022. This presentation reflects a revision to the method used for the sectoral allocation of technology investment expenses, which are now immediately allocated to the various business segments, whereas certain expenses, notably costs incurred during the research phase of projects, had previously been recorded in the *Other* heading of segment results. This revision is consistent with the accounting policy change applied in fiscal 2022 related to cloud computing arrangements. For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect this accounting policy change. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.

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 better assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Bank's operations. 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 key non-GAAP financial measures used by the Bank to analyze its results are described below, and a quantitative reconciliation of these measures is presented in the tables in the Reconciliation of Non-GAAP Financial Measures section on page 8 and in the Consolidated Results table on page 11. It should be noted that, for the quarter ended January 31, 2023, a $24 million tax expense related to the Canadian government's 2022 tax measures has been excluded from results. This amount consists of a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion as well as an $8 million tax recovery related to a 1.5% increase in the statutory tax rate, which includes the impact related to current and deferred taxes for fiscal 2022. No specified items had been excluded from results for the quarter ended January 31, 2022.

<u>Adjusted Net Interest Income</u>

This item represents net interest income on a taxable equivalent basis and excluding specified items, if any. A taxable equivalent is added to net interest income so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that net interest income can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

<u>Adjusted Non-Interest Income</u>

This item represents non-interest income on a taxable equivalent basis and excluding specified items, if any. A taxable equivalent is added to non-interest income so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that non-interest income can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

<u>Adjusted Total Revenues</u>

This item represents total revenues on a taxable equivalent basis and excluding specified items, if any. It consists of adjusted net interest income and adjusted non-interest income. A taxable equivalent is added to total revenues so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that total revenues can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Non-Interest Expenses

This item represents non-interest expenses excluding specified items, if any. Specified items, if any, are excluded so that non-interest expenses can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Income Before Provisions for Credit Losses and Income Taxes

This item represents income before provisions for credit losses and income taxes on a taxable equivalent basis and excluding specified items, if any. It also represents the difference between adjusted total revenues and adjusted non-interest expenses. A taxable equivalent is added to income before provisions for credit losses and income taxes so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that income before provisions for credit losses and income taxes can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Income Taxes

This item represents income taxes on a taxable equivalent basis and excluding income taxes on specified items, if any.

Adjusted Net Income

This item represents net income excluding specified items, if any. Specified items, if any, are excluded so that net income can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Net income Attributable to Common Shareholders

This item represents net income attributable to common shareholders excluding specified items, if any. Specified items, if any, are excluded so that net income attributable to common shareholders can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Basic Earnings Per Share

This item represents basic earnings per share excluding specified items, if any. Specified items, if any, are excluded so that basic earnings per share can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Diluted Earnings Per Share

This item represents diluted earnings per share excluding specified items, if any. Specified items, if any, are excluded so that diluted earnings per share can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

The Bank also uses the below-described measures to assess its results. A quantitative reconciliation of these non-GAAP financial measures is presented in the Reconciliation of Non-GAAP Financial Measures section on page 8.

Adjusted Non-Trading Net Interest Income

This item represents non-trading net interest income on a taxable equivalent basis. It includes revenues related to financial assets and financial liabilities associated with non-trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities, and is used to calculate adjusted non-trading net interest margin. A taxable equivalent is added to non-trading net interest income so that the performance of the various assets can be compared irrespective of their tax treatment.

Net Interest Income From Trading Activities on a Taxable Equivalent Basis

This item represents net interest income from trading activities plus a taxable equivalent. It 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. A taxable equivalent is added to net interest income from trading activities so that the performance of the various assets can be compared irrespective of their tax treatment.

Non-Interest Income Related to Trading Activities on a Taxable Equivalent Basis

This item represents non-interest income related to trading activities to which a taxable equivalent amount is added. It 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. A taxable equivalent amount is added to the non-interest income related to trading activities such that the returns of different assets can be compared regardless of their tax treatment.

Trading Activity Revenues on a Taxable Equivalent Basis

This item represents trading activity revenues plus a taxable equivalent. They comprise 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, realized and unrealized gains and losses, and 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. A taxable equivalent is added to trading activity revenues so that the performance of the various assets can be compared irrespective of their tax treatment.

Non-GAAP Ratios

The Bank uses non-GAAP ratios that do not have standardized meanings under GAAP and that may therefore 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.

The key non-GAAP ratios used by the Bank are described below.

Adjusted Return on Common Shareholders' Equity (ROE)

This item represents ROE excluding specified items, if any. It is adjusted net income attributable to common shareholders expressed as a percentage of average equity attributable to common shareholders. It is a general measure of the Bank's efficiency in using equity. Specified items, if any, are excluded so that ROE can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Dividend Payout Ratio

This item represents the dividend payout ratio excluding specified items, if any. It is dividends on common shares (per share amount) expressed as a percentage of adjusted basic earnings per share. This ratio is a measure of the proportion of earnings that is paid out to shareholders in the form of dividends. Specified items, if any, are excluded so that the dividend payout ratio can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Operating Leverage

This item represents operating leverage on a taxable equivalent basis and excluding specified items, if any. It is the difference between the growth rate of adjusted total revenues and the growth rate of adjusted non-interest expenses, and it measures the sensitivity of the Bank's results to changes in its revenues. Adjusted operating leverage is presented on a taxable equivalent basis so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that the efficiency ratio can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Efficiency Ratio

This item represents the efficiency ratio on a taxable equivalent basis and excluding specified items, if any. The ratio represents adjusted non-interest expenses expressed as a percentage of adjusted total revenues. It measures the efficiency of the Bank's operations. The adjusted efficiency ratio is presented on a taxable equivalent basis so that the performance of the various assets can be compared irrespective of their tax treatment, and specified items, if any, are excluded so that the efficiency ratio can be better evaluated by excluding items that management believes do not reflect the underlying financial performance of the Bank's operations.

Adjusted Net Interest Margin, Non-Trading

This item represents the non-trading net interest margin on a taxable equivalent basis. It is calculated by dividing net interest income related to adjusted non-trading activities by average non-trading interest-bearing assets. This ratio is a measure of the profitability of non-trading activities. The adjusted non-trading net interest margin includes adjusted non-trading net interest income, which includes a taxable equivalent amount so that the performance of the various assets can be compared irrespective of their tax treatment.

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 45 to 48 of this MD&A.

Capital Management Measures

The financial reporting framework used to prepare the financial statements requires disclosure that helps 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
Total Loss Absorbing Capacity (TLAC)	Key indicators – TLAC requirements Available TLAC TLAC ratio TLAC leverage ratio
Liquidity Adequacy Requirements	Liquid asset portfolio Encumbered assets 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
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

	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	2023 Total	2022(1) Total
Net interest income	825	208	(168)	299	(65)	1,099	1,332
Taxable equivalent	–	–	77	–	1	78	60
Net interest income – Adjusted	825	208	(91)	299	(64)	1,177	1,392
Non-interest income	299	429	728	20	7	1,483	1,134
Taxable equivalent	–	–	52	–	–	52	4
Non-interest income – Adjusted	299	429	780	20	7	1,535	1,138
Total revenues – Adjusted	1,124	637	689	319	(57)	2,712	2,530
Non-interest expenses	606	364	287	98	48	1,403	1,280
Income before provisions for credit losses and income taxes – Adjusted	518	273	402	221	(105)	1,309	1,250
Provisions for credit losses	61	–	(9)	35	(1)	86	(2)
Income before income taxes – Adjusted	457	273	411	186	(104)	1,223	1,252
Income taxes	126	75	(16)	39	(12)	212	258
Taxable equivalent	–	–	129	–	1	130	64
Income taxes related to the Canadian government's 2022 tax measures(2)	–	–	–	–	(24)	(24)	–
Income taxes – Adjusted	126	75	113	39	(35)	318	322
Net income – Adjusted	331	198	298	147	(69)	905	930
Specified items after income taxes	–	–	–	–	(24)	(24)	–
Net income	331	198	298	147	(93)	881	930
Non-controlling interests	–	–	–	–	–	–	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	331	198	298	147	(93)	881	930
Net income attributable to the Bank's shareholders and holders of other equity instruments – Adjusted	331	198	298	147	(69)	905	930
Dividends on preferred shares and distributions on limited recourse capital notes						35	26
Net income attributable to common shareholders – Adjusted						870	904

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.
(2) During the quarter ended January 31, 2023, the Bank recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to the 1.5% increase in the statutory tax rate, which includes the impact related to current and deferred taxes for fiscal 2022. For additional information on these tax measures, see the Income Taxes section on page 20.

Presentation of Basic and Diluted Earnings Per Share – Adjusted

(Canadian dollars) Quarter ended January 31

	2023	2022(1)
Basic earnings per share	$ 2.51	$ 2.67
Income taxes related to the Canadian government's 2022 tax measures(2)	0.07	–
Basic earnings per share – Adjusted	$ 2.58	$ 2.67
Diluted earnings per share	$ 2.49	$ 2.64
Income taxes related to the Canadian government's 2022 tax measures(2)	0.07	–
Diluted earnings per share – Adjusted	$ 2.56	$ 2.64

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.
(2) During the quarter ended January 31, 2023, the Bank recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to the 1.5% increase in the statutory tax rate, which includes the impact related to current and deferred taxes for fiscal 2022. For additional information on these tax measures, see the Income Taxes section on page 20.

Presentation of Non-Trading Net Interest Income – Adjusted

(millions of Canadian dollars) Quarter ended January 31

	2023	2022
Net interest income – Adjusted	1,177	1,392
Less: Net interest income (loss) related to trading activities on a taxable equivalent basis	(196)	324
Net interest income, non-trading – Adjusted	1,373	1,068

Highlights

(millions of Canadian dollars, except per share amounts)					Quarter ended January 31
		2023		2022[1]	% Change
Operating results					
Total revenues		2,582		2,466	5
Income before provisions for credit losses and income taxes		1,179		1,186	(1)
Net income		881		930	(5)
Return on common shareholders' equity[2]		17.9 %		21.9 %	
Earnings per share					
Basic	$	2.51	$	2.67	(6)
Diluted	$	2.49	$	2.64	(6)
Operating results – Adjusted[3]					
Total revenues – Adjusted[3]		2,712		2,530	7
Income before provisions for credit losses and income taxes – Adjusted[3]		1,309		1,250	5
Net income – Adjusted[3]		905		930	(3)
Return on common shareholders' equity – Adjusted[4]		18.4 %		21.9 %	
Operating leverage – Adjusted[4]		(2.4) %		3.7 %	
Efficiency ratio – Adjusted[4]		51.7 %		50.6 %	
Earnings per share – Adjusted[3]					
Basic	$	2.58	$	2.67	(3)
Diluted	$	2.56	$	2.64	(3)
Common share information					
Dividends declared	$	0.97	$	0.87	11
Book value[2]	$	55.92	$	49.71	
Share price					
High	$	99.95	$	105.44	
Low	$	91.02	$	94.37	
Close	$	99.95	$	101.70	
Number of common shares *(thousands)*		337,318		338,367	
Market capitalization		33,715		34,412	

(millions of Canadian dollars)	As at January 31, 2023	As at October 31, 2022	% Change
Balance sheet and off-balance-sheet			
Total assets	418,342	403,740	4
Loans and acceptances, net of allowances	210,379	206,744	2
Deposits	282,505	266,394	6
Equity attributable to common shareholders	18,863	18,594	1
Assets under administration[2]	652,873	616,165	6
Assets under management[2]	119,774	112,346	7
Regulatory ratios under Basel III[5]			
Capital ratios			
Common Equity Tier 1 (CET1)	12.6 %	12.7 %	
Tier 1	15.2 %	15.4 %	
Total[6]	16.0 %	16.9 %	
Leverage ratio	4.5 %	4.5 %	
TLAC ratio[5]	28.7 %	27.7 %	
TLAC leverage ratio[5]	8.5 %	8.1 %	
Liquidity coverage ratio (LCR)[5]	151 %	140 %	
Net stable funding ratio (NSFR)[5]	121 %	117 %	
Other information			
Number of employees – Worldwide (full-time equivalent)	27,674	27,103	2
Number of branches in Canada	378	378	–
Number of banking machines in Canada	942	939	–

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.
(2) See the Glossary section on pages 45 to 48 for details on the composition of these measures.
(3) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP financial measures.
(4) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP ratios.
(5) See the Financial Reporting Method section on pages 4 to 8 for additional information on capital management measures.
(6) Includes the $750 million redemption of medium-term notes on February 1, 2023.

Economic Review and Outlook

Global Economy

While the eurozone feared a quick drop in temperatures with the onset of winter, the start of the season turned out to be one of the warmest on record. Demand for natural gas was therefore far below expectations, and prices continued to tumble, contributing to lower input costs for businesses and providing some relief for household energy bills. The global economy eked out slight growth in the fourth quarter of 2022 to the surprise of economists, who were forecasting a slight contraction. In light of these results, the Monetary Union is expected to avoid a technical recession in the first half of calendar year 2023. The outlook for emerging markets has also improved for two reasons. First, a weaker U.S. dollar should help reduce debt service costs for many borrowers and bring down prices for certain imports denominated in U.S. dollars. The second reason—which is more significant—is that China has ended its zero-COVID policy and has quickly reopened its economy. Given these developments, we have revised our global growth scenario for 2023 upward to 2.4%(1)—which remains relatively weak on an historical basis.

Recently published U.S. economic data is sending contradictory messages to say the least. Fourth quarter GDP figures pointed to some signs of weakness, with sluggish consumption growth and a contraction in equipment investments for the second time in three quarters. Tempered growth was also reflected in inflation figures, as the total consumer price index (CPI) declined, falling from a peak of 9.1% last summer to 6.4% in January owing to a drop in energy prices, among other things. With the exception of food and energy costs, commodity prices have come down in recent months—a trend that is expected to continue within the wider context of a global manufacturing sector slowdown and lower shipping costs. Job figures have continued to improve at an astounding rate, with unemployment falling to 3.4%—the lowest rate in 53 years. This impressive level of performance is simply incompatible with higher business sales volumes, which explains why a significant slowdown in labour market activity is still expected in the coming months. The U.S. Federal Reserve could take a different view, however, opting to raise the policy rate more than once based solely on the strength of the labour market. If such a scenario were to materialize, a recession would be almost inevitable. However, if the central bank takes a more prudent approach, the U.S. economy should have a roller-coaster year but avoid a major contraction. We expect to see 0.8%(1) annual growth in 2023. With inflation expected to drop by the end of the year, the U.S. Federal Reserve should be able to begin reducing its policy rate later this year such that growth can accelerate in 2024.

Canadian Economy

In January, the Bank of Canada raised its policy interest rate, for an eighth consecutive time, to 4.50%—the highest level in 15 years. Given that it acted quickly and considering the delays in seeing the effects of monetary policy, there is a risk that it may have gone too far. The only consolation is that the central bank does not expect to have to raise rates again. The central bank was clearly encouraged by the strong employment figures. While unemployment has essentially returned to the historically low levels seen last summer, the labour market no longer seems as strained if wage restraints and the smaller number of businesses claiming that the labour shortage is limiting their production capacity are any indication. Moreover, recent inflation numbers provide hope that the inflationary pressures felt in 2022 will subside in 2023. We believe that interest rates will not have to remain at current levels for long to quell inflation and, therefore, expect the central bank to bring them down in the fourth quarter. There is already a marked decline in residential real estate activity, causing house prices to plummet. Consumers now have reduced buying power while also dealing with interest rate shock and an unprecedented negative wealth effect. Fortunately, Canadian consumers have amassed twice the savings compared to their U.S. counterparts, which should allow them to hold on until the situation improves. With the tighter monetary policy, we expect the Canadian economy to stagnate over a few quarters, resulting in anemic 0.7%(1) growth in 2023.

Quebec Economy

According to the most recent data, Quebec's GDP is showing resilience in the goods and services sectors. In the third quarter of 2022, Quebec household consumption (+1.5% annualized quarter over quarter) was particularly resilient compared to the rest of the country (Canada: +1.0% annualized quarter over quarter). This reflects the province's strong labour market growth in the last quarter of 2022. Moreover, this resilience is no surprise given that Quebec household savings are higher than in the rest of Canada, providing more of a buffer against inflation shock. A recent Statistics Canada survey showed that Quebec households had the least difficulty meeting their financial obligations. Easier housing access, compared to the rest of the country, means that Quebec households are carrying less debt and are not as vulnerable to the recent interest rate hikes. In addition, the province's affordable hydroelectricity means that Quebec and Quebecers are less exposed to soaring electricity prices seen elsewhere in the world. Quebec also has a highly diversified economy and a variety of tax support measures are provided by the government. In light of all this, we are forecasting that Quebec's economy will grow by 0.4%(1) in 2023, curbed by less favourable demographics compared to the rest of Canada and an already tight labour market.

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

Financial Analysis

Consolidated Results

(millions of Canadian dollars)			Quarter ended January 31
	2023	2022[1]	% Change
Operating results			
Net interest income	**1,099**	1,332	(17)
Non-interest income	**1,483**	1,134	31
Total revenues	**2,582**	2,466	5
Non-interest expenses	**1,403**	1,280	10
Income before provisions for credit losses and income taxes	**1,179**	1,186	(1)
Provisions for credit losses	**86**	(2)	
Income before income taxes	**1,093**	1,188	(8)
Income taxes	**212**	258	(18)
Net income	**881**	930	(5)
Diluted earnings per share *(dollars)*	**2.49**	2.64	(6)
Taxable equivalent basis[2]			
Net interest income	**78**	60	
Non-interest income	**52**	4	
Income taxes	**130**	64	
Impact of taxable equivalent basis on net income	**–**	–	
Specified items[2]			
Income taxes related to the Canadian government's 2022 tax measures	**(24)**	–	
Specified items after income taxes	**24**	–	
Operating results – Adjusted[2]			
Net interest income – Adjusted	**1,177**	1,392	(15)
Non-interest income – Adjusted	**1,535**	1,138	35
Total revenues – Adjusted	**2,712**	2,530	7
Non-interest expenses – Adjusted	**1,403**	1,280	10
Income before provisions for credit losses and income taxes – Adjusted	**1,309**	1,250	5
Provisions for credit losses	**86**	(2)	
Income before income taxes – Adjusted	**1,223**	1,252	(2)
Income taxes – Adjusted	**318**	322	(1)
Net income – Adjusted	**905**	930	(3)
Diluted earnings per share – Adjusted *(dollars)*	**2.56**	2.64	(3)
Average assets[3]	**424,946**	388,672	9
Average loans and acceptances[3]	**209,699**	185,757	13
Average deposits[3]	**281,553**	254,818	10
Operating leverage[4]	**(4.9) %**	3.7 %	
Operating leverage – Adjusted[5]	**(2.4) %**	3.7 %	
Efficiency ratio[4]	**54.3 %**	51.9 %	
Efficiency ratio – Adjusted[5]	**51.7 %**	50.6 %	
Net interest margin, non-trading – Adjusted[5]	**2.19 %**	1.86 %	

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.
(2) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP financial measures.
(3) Represents an average of the daily balances for the period.
(4) See the Glossary section on pages 45 to 48 for details on the composition of these measures.
(5) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP ratios.

Financial Results

For the first quarter of 2023, the Bank reported net income of $881 million, down 5% from $930 million in the first quarter of 2022. First-quarter diluted earnings per share stood at $2.49 compared to $2.64 in the first quarter of 2022. Revenue growth in all of the business segments was offset by higher non-interest expenses, higher provisions for credit losses, and the impact of a tax expense arising from the Canadian government's 2022 tax measures.

Adjusted net income totalled $905 million in the first quarter of 2023 (which excludes a $24 million tax expense arising from the Canadian government's 2022 tax measures) compared to $930 million in the first quarter of 2022, and first-quarter adjusted diluted earnings per share stood at $2.56 compared to $2.64 in the same quarter of 2022. These decreases were mainly due to higher provisions for credit losses on non-impaired loans recorded in the first quarter of 2023 to reflect a deterioration in macroeconomic factors, whereas reversals of allowances for credit losses had been recorded in the first quarter of 2022 given a more favourable macroeconomic environment at that time. Adjusted income before provisions for credit losses and income taxes rose 5% owing to revenue growth in all of the business segments.

Return on common shareholders' equity was 17.9% for the quarter ended January 31, 2023 compared to 21.9% in the same quarter of 2022.

Total Revenues

For the first quarter of 2023, the Bank's total revenues amounted to $2,582 million, up $116 million or 5% from the first quarter of 2022. In the Personal and Commercial segment, first-quarter total revenues rose 17% year over year owing to growth in loans and deposits, to a higher net interest margin resulting from interest rate hikes, and to increases in revenues from bankers' acceptances, revenues from derivative financial instruments, and revenues from foreign exchange activities, partly offset by decreases in insurance revenues and in internal commission revenues related to the distribution of Wealth Management products. In the Wealth Management segment, first-quarter total revenues grew 8% year over year, mainly due to higher net interest income resulting from higher interest rates; this growth was partly offset by a decrease in fee-based revenues, notably revenues from mutual funds and from investment management and trust service fees. In addition, securities brokerage commissions decreased year over year given fewer commission-generating transactions. In the Financial Markets segment, first-quarter total revenues on a taxable equivalent basis increased by 4% year over year due to an increase in corporate and investment banking revenues, partly offset by a decrease in global markets revenues. In the USSF&I segment, first-quarter total revenues were up 12% year over year owing to sustained revenue growth at ABA Bank as a result of business growth as well as to an increase in Credigy's revenues. In the *Other* heading of segment results, first-quarter total revenues were down year over year, mainly due to a lower contribution from Treasury activities and to a decrease in gains on investments.

Non-Interest Expenses

For the first quarter of fiscal 2023, non-interest expenses stood at $1,403 million, a 10% year-over-year increase that was essentially attributable to higher compensation (notably due to wage growth and a greater number of employees) as well as to the variable compensation associated with revenue growth. Occupancy expense was also up, partly related to expansion of the ABA Bank network and to expenses arising from the Bank's new head office building. An increase in technology expenses, including amortization, was attributable to significant investments made to support the Bank's technological evolution and business development plan. Other expenses were also up, given a reversal of the $20 million provision for the compensatory tax on salaries paid in Quebec and recorded during the first quarter of 2022, an increase in travel and business development expenses as activities with clients resumed, and an increase in advertising expenses.

Provisions for Credit Losses

For the first quarter of 2023, the Bank recorded $86 million in provisions for credit losses compared to $2 million in recoveries of credit losses in the first quarter of 2022. This increase stems mainly from higher provisions for credit losses on non-impaired loans recorded to reflect a less favourable macroeconomic outlook in the first quarter of 2023 (notably rising inflation and geopolitical instability) as well as newly granted loans. Conversely, in the first quarter of 2022, the Bank had recorded reversals of allowances for credit losses on non-impaired loans given a more favourable macroeconomic environment and more favourable credit conditions at that time. As for first-quarter provisions for credit losses on impaired loans excluding purchased or originated credit-impaired (POCI)(1) loans, they were down $4 million year over year as a result of higher recoveries of credit losses recorded by the Financial Markets segment in the first quarter of 2023. At ABA Bank, provisions for credit losses on impaired loans were also down, whereas the provisions for credit losses on impaired loans at Personal Banking (including credit card receivables), Commercial Banking, and the Credigy subsidiary (excluding POCI loans) were up year over year, reflecting continued normalization of credit performance. Lastly, the first-quarter provisions for credit losses on Credigy's POCI loans were stable year over year.

Income Taxes

For the first quarter of 2023, income taxes stood at $212 million compared to $258 million in the same quarter of 2022. The 2023 first-quarter effective income tax rate was 19% compared to 22% in the same quarter of 2022. The year-over-year change in effective income tax rate stems mainly from a higher level and proportion of tax-exempt dividend income and from higher income in lower tax-rate jurisdictions, partly offset by the impact of the enacted tax measures, namely, the Canada Recovery Dividend and the additional 1.5% tax on banks and life insurers.

(1) See the Glossary section on pages 45 to 48 for details on the composition of these measures.

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, which comprises the activities of the Credigy Ltd. (Credigy) and Advanced Bank of Asia Limited (ABA Bank) subsidiaries. Other operating activities, certain specified items, Treasury activities, and the operations of the Flinks Technology Inc. (Flinks) subsidiary are grouped in the *Other* heading of segment results. 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		
	2023	2022[1]	% Change
Operating results			
Net interest income	**825**	669	23
Non-interest income	**299**	289	3
Total revenues	**1,124**	958	17
Non-interest expenses	**606**	555	9
Income before provisions for credit losses and income taxes	**518**	403	29
Provisions for credit losses	**61**	(5)	
Income before income taxes	**457**	408	12
Income taxes	**126**	108	17
Net income	**331**	300	10
Net interest margin[2]	**2.35 %**	2.05 %	
Average interest-bearing assets[2]	**139,215**	129,476	8
Average assets[3]	**146,131**	136,093	7
Average loans and acceptances[3]	**145,347**	135,177	8
Net impaired loans[2]	**215**	216	–
Net impaired loans as a % of total loans and acceptances[2]	**0.1 %**	0.2 %	
Average deposits[3]	**85,051**	80,057	6
Efficiency ratio[2]	**53.9 %**	57.9 %	

(1) For the quarter ended January 31, 2022, certain amounts have been reclassified, notably due to a revised method for the sectoral allocation of technology investment expenses. In addition, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements (for additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022).
(2) See the Glossary section on pages 45 to 48 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 $331 million in the first quarter of 2023, up 10% from $300 million in the first quarter of 2022. The segment's first-quarter income before provisions for credit losses and income taxes grew 29% year over year. First-quarter net interest income rose 23% year over year owing to growth in personal and commercial loans and deposits as well as to a higher net interest margin, which was 2.35% in first-quarter 2023 compared to 2.05% in first-quarter 2022. This growth reflects the interest rate hikes and was mainly attributable to the deposit margin. As for first-quarter non-interest income, it grew $10 million or 3% year over year.

Personal Banking's first-quarter total revenues increased by $35 million year over year. The increase was due to higher net interest income, driven by growth in loans and deposits and an improved margin on deposits, and was partly offset by decreases in insurance revenues and in internal commission revenues related to the distribution of Wealth Management products. Commercial Banking's first-quarter total revenues grew $131 million year over year, mainly due to an increase in net interest income that was driven by loan and deposit growth and an improved margin on deposits, as well as to increases in revenues from bankers' acceptances, from derivative financial instruments, and from foreign exchange activities.

For the first quarter of 2023, the Personal and Commercial segment's non-interest expenses stood at $606 million, a 9% year-over-year increase that was mainly due higher compensation and employee benefits (given wage growth and a greater number of employees), to operations support charges, and to investments made as part of the segment's technological evolution. At 53.9%, the segment's first-quarter efficiency ratio improved by 4.0 percentage points year over year as a result of strong revenue growth. The segment recorded $61 million in provisions for credit losses in the first quarter of 2023 compared to $5 million in recoveries of credit losses in the first quarter of 2022. This increase came mainly from higher provisions for credit losses on non-impaired loans at Personal Banking (including credit card receivable) and at Commercial Banking recorded to reflect a less favourable macroeconomic outlook, whereas, in the first quarter of 2022, a more favourable macroeconomic environment had led to reversals of allowances for credit losses on non-impaired loans. Provisions for credit losses on impaired Personal Banking loans (including credit card receivables) and impaired Commercial Banking loans were also up year over year, reflecting continued normalization of credit performance.

Wealth Management

(millions of Canadian dollars)			Quarter ended January 31
	2023	2022[1]	% Change
Operating results			
Net interest income	**208**	119	75
Fee-based revenues	**347**	372	(7)
Transaction-based and other revenues	**82**	101	(19)
Total revenues	**637**	592	8
Non-interest expenses	**364**	360	1
Income before provisions for credit losses and income taxes	**273**	232	18
Provisions for credit losses	**–**	–	
Income before income taxes	**273**	232	18
Income taxes	**75**	62	21
Net income	**198**	170	16
Average assets[2]	**8,523**	8,331	2
Average loans and acceptances[2]	**7,548**	7,147	6
Net impaired loans[3]	**8**	16	(50)
Average deposits[2]	**40,214**	34,027	18
Assets under administration[3]	**652,873**	654,538	–
Assets under management[3]	**119,774**	118,205	1
Efficiency ratio[3]	**57.1 %**	60.8 %	

(1) For the quarter ended January 31, 2022, certain amounts have been reclassified, notably due to a revised method for the sectoral allocation of technology investment expenses. In addition, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements (for additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022).
(2) Represents an average of the daily balances for the period.
(3) See the Glossary section on pages 45 to 48 for details on the composition of these measures.

In the Wealth Management segment, net income totalled $198 million in the first quarter of 2023, a 16% increase from $170 million in the first quarter of 2022. The segment's first-quarter total revenues amounted to $637 million, up $45 million or 8% from $592 million in the first quarter of 2022. This increase in revenues was driven by an $89 million or 75% increase in net interest income resulting from the interest rate hikes that occurred over the past year. First-quarter fee-based revenues decreased by 7%, as there was weaker stock market performance year over year, partly offset by positive net inflows into various solutions. As for transaction-based and other revenues, they were down 19% year over year as a result of lower commission-generating trading volume.

For the first quarter of 2023, Wealth Management's non-interest expenses stood at $364 million, a $4 million or 1% year-over-year increase that was mainly due to higher compensation and employee benefits and higher operations support charges, partly offset by a decrease in variable compensation and external management fees. At 57.1%, the segment's first-quarter efficiency ratio improved by 3.7 percentage points from 60.8% in the first quarter of 2022. The segment's provisions for credit losses were negligible in the first quarters of fiscal 2023 and 2022.

Financial Markets

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

	Quarter ended January 31		
	2023	2022[2]	% Change
Operating results			
Global markets			
Equities	192	283	(32)
Fixed-income	151	110	37
Commodities and foreign exchange	54	40	35
	397	433	(8)
Corporate and investment banking	292	229	28
Total revenues[1]	689	662	4
Non-interest expenses	287	263	9
Income before provisions for credit losses and income taxes	402	399	1
Provisions for credit losses	(9)	(16)	44
Income before income taxes	411	415	(1)
Income taxes[1]	113	110	3
Net income	298	305	(2)
Average assets[3]	173,262	157,761	10
Average loans and acceptances[3] (Corporate Banking only)	27,066	20,219	34
Net impaired loans[4]	81	4	
Net impaired loans as a % of total loans and acceptances[4]	0.3 %	– %	
Average deposits[3]	52,820	47,452	11
Efficiency ratio[4]	41.7 %	39.7 %	

(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. For the quarter ended January 31, 2023, *Total revenues* were grossed up by $129 million ($63 million in 2022) and an equivalent amount was recognized in *Income taxes*. The effect of these adjustments is reversed under the *Other* heading of segment results.
(2) For the quarter ended January 31, 2022, certain amounts have been reclassified, notably due to a revised method for the sectoral allocation of technology investment expenses. In addition, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements (for additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022).
(3) Represents an average of the daily balances for the period.
(4) See the Glossary section on pages 45 to 48 for details on the composition of these measures.

In the Financial Markets segment, net income totalled $298 million in the first quarter of 2023, down 2% from $305 million in the first quarter of 2022. The segment's income before provisions for credit losses and income taxes totalled $402 million in the first quarter of 2023, up 1% from the first quarter of 2022. First-quarter total revenues amounted to $689 million, up $27 million or 4% from $662 million in the first quarter of 2022. Global markets revenues were down 8% given a 32% decrease in revenues from equity securities, tempered by a 37% increase in revenues from fixed-income securities and a 35% increase in revenues from commodities and foreign exchange activities. First-quarter corporate and investment banking revenues grew 28% year over year given an increase in revenues from merger and acquisition activity, in revenues from capital markets activity, and in banking service revenues driven by loan growth and a higher deposit margin.

The segment's first-quarter non-interest expenses stood at $287 million, a 9% year-over-year increase that was due to higher compensation and employee benefits (notably wage growth and the variable compensation associated with the segment's revenue growth), as well as to higher technology investment expenses and higher operations support charges. At 41.7%, the first-quarter efficiency ratio deteriorated when compared to 39.7% in the first quarter of 2022. The segment recorded $9 million in recoveries of credit losses in the first quarter of 2023 compared to $16 million in recoveries in the first quarter of 2022. The change was due to a $24 million increase in provisions for credit losses on non-impaired loans, which stood at $9 million in the first quarter of 2023, whereas reversals of allowances for credit losses on non-impaired loans had been recorded in the first quarter of 2022 given a more favourable macroeconomic outlook and more favourable credit conditions at that time. With respect to impaired loans, higher recoveries of credit losses were recorded during the first quarter of 2023 than in the first quarter of 2022.

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

(millions of Canadian dollars)		Quarter ended January 31	
	2023	2022	% Change
Total revenues			
Credigy	137	126	9
ABA Bank	180	158	14
International	2	1	
	319	285	12
Non-interest expenses			
Credigy	36	33	9
ABA Bank	61	47	30
International	1	–	
	98	80	23
Income before provisions for credit losses and income taxes	221	205	8
Provisions for credit losses			
Credigy	31	14	121
ABA Bank	4	4	–
	35	18	
Income before income taxes	186	187	(1)
Income taxes			
Credigy	15	17	(12)
ABA Bank	24	22	9
	39	39	–
Net income			
Credigy	55	62	(11)
ABA Bank	91	85	7
International	1	1	
	147	148	(1)
Average assets(1)	21,606	17,974	20
Average loans and receivables(1)	17,941	14,387	25
Purchased or originated credit-impaired (POCI) loans	414	422	(2)
Net impaired loans excluding POCI loans(2)	172	51	
Average deposits(1)	9,813	7,896	24
Efficiency ratio(2)	30.7 %	28.1 %	

(1) Represents an average of the daily balances for the period.
(2) See the Glossary section on pages 45 to 48 for details on the composition of these measures.

In the USSF&I segment, net income totalled $147 million in the first quarter of 2023 compared to $148 million in the same quarter of 2022, as growth in total revenues was more than offset by higher non-interest expenses and higher provisions for credit losses. The segment's first-quarter total revenues amounted to $319 million, up $34 million or 12% from $285 million in the first quarter of 2022.

Credigy
For the first quarter of 2023, the Credigy subsidiary's net income totalled $55 million, a $7 million or 11% year-over-year decrease due to higher provisions for credit losses. Income before provisions for credit losses and income taxes totalled $101 million in the first quarter of 2023, up 9% from the first quarter of 2022. The increase in the subsidiary's total revenues, which amounted to $137 million in the first quarter of 2023 versus $126 million in the same quarter of 2022, was mainly due to revenue that was recorded following prepayment of a credit facility. Credigy's first-quarter non-interest expenses stood at $36 million, a $3 million year-over-year increase that was mainly due to compensation and employee benefits. Provisions for credit losses increased by $17 million compared to the same quarter of 2022, due to an increase in provisions for credit losses on non-impaired loans associated with growth in the loan portfolio and a deterioration in risk parameters as well as to an increase in provisions for credit losses on impaired loans.

ABA Bank
The ABA Bank subsidiary's net income totalled $91 million in the first quarter of 2023, up $6 million or 7% year over year. The subsidiary's total revenues were up 14% due to sustained loan and deposit growth, partly offset by a decrease in interest rates on loans and by a migration towards higher-rate term deposits. Non-interest expenses for the first quarter of 2023 stood at $61 million, a $14 million or 30% year-over-year increase attributable to higher compensation and employee benefits (notably due to higher salaries given a greater number of employees) and to higher occupancy expenses resulting from the subsidiary's business growth and opening of new branches. ABA Bank recorded $4 million in provisions for credit losses in the first quarter of 2023, stable compared to the first quarter of 2022.

Other

(millions of Canadian dollars)	Quarter ended January 31	
	2023	2022[1]
Operating results		
Net interest income[2]	(142)	(124)
Non-interest income[2]	(45)	93
Total revenues	(187)	(31)
Non-interest expenses	48	22
Income before provisions for credit losses and income taxes	(235)	(53)
Provisions for credit losses	(1)	1
Income before income taxes	(234)	(54)
Income taxes (recovery)[2]	(141)	(61)
Net income (loss)	(93)	7
Non-controlling interests	–	–
Net income (loss) attributable to the Bank's shareholders and holders of other equity instruments	(93)	7
Specified items after income taxes[3]	24	–
Net income (loss) – Adjusted[3]	(69)	7
Average assets[4]	75,424	68,513

(1) For the quarter ended January 31, 2022, certain amounts have been reclassified, notably due to a revised method for the sectoral allocation of technology investment expenses. In addition, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements (for additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022).
(2) For the quarter ended January 31, 2023, an amount of $78 million ($60 million in 2022) was deducted from *Net interest income*, an amount of $52 million ($4 million in 2022) was deducted from *Non-interest income*, and an equivalent amount was recorded in *Income taxes (recovery)*. 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) See the Financial Reporting Method section on pages 4 to 8 for additional information on non-GAAP financial measures.
(4) Represents an average of the daily balances for the period.

For the *Other* heading of segment results, there was a net loss of $93 million in the first quarter of 2023 compared to net income of $7 million in the same quarter of 2022. This change stems essentially from a decrease in total revenues arising from a lower contribution from Treasury activities and is also due to higher gains on investments recorded in the first quarter of 2022. Furthermore, non-interest expenses rose $26 million, notably due to a reversal of the provision for the compensatory tax on salaries paid in Quebec that had been recorded during the first quarter of 2022.

For the first quarter of 2023, the specified items are related to the Canadian government's 2022 tax measures and include a $32 million tax expense for the Canada Recovery Dividend (i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion) as well as an $8 million tax recovery related to a 1.5% increase in the statutory tax rate, which includes the impact related to current and deferred taxes for fiscal 2022. Adjusted net loss was $69 million in the first quarter of 2023 compared to net income of $7 million in the same quarter of 2022.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at January 31, 2023	As at October 31, 2022	% Change
Assets			
Cash and deposits with financial institutions	42,286	31,870	33
Securities	113,939	109,719	4
Securities purchased under reverse repurchase agreements and securities borrowed	26,430	26,486	–
Loans and acceptances, net of allowances	210,379	206,744	2
Other	25,308	28,921	(12)
	418,342	403,740	4
Liabilities and equity			
Deposits	282,505	266,394	6
Other	112,325	114,101	(2)
Subordinated debt	1,497	1,499	–
Equity attributable to the Bank's shareholders and holders of other equity instruments	22,013	21,744	1
Non-controlling interests	2	2	–
	418,342	403,740	4

Assets
As at January 31, 2023, the Bank had total assets of $418.3 billion, a $14.6 billion or 4% increase from $403.7 billion as at October 31, 2022. At $42.3 billion as at January 31, 2023, cash and deposits with financial institutions were up $10.4 billion, mainly due to an increase in deposits with the Bank of Canada and the U.S. Federal Reserve. The high level of cash and deposits with financial institutions was partly due to the excess liquidity related to the accommodative monetary policies that have been applied by central banks since 2020.

As at January 31, 2023, securities totalled $113.9 billion, increasing $4.2 billion since October 31, 2022. Securities at fair value through profit or loss increased by $2.4 billion or 3%, essentially due to equity securities and securities issued or guaranteed by the Canadian government, partly offset by a decrease in securities issued or guaranteed by U.S. Treasury, other U.S. agencies and other foreign governments. Securities other than those measured at fair value through profit or loss were also up, rising $1.8 billion. Securities purchased under reverse repurchase agreements and securities borrowed remained relatively stable compared to October 31, 2022.

Totalling $210.4 billion as at January 31, 2023, loans and acceptances, net of allowances for credit losses, rose $3.7 billion or 2% since October 31, 2022. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	**As at January 31, 2023**	As at October 31, 2022	As at January 31, 2022
Loans and acceptances			
Residential mortgage and home equity lines of credit	**111,634**	109,648	101,483
Personal	**15,537**	15,804	14,855
Credit card	**2,296**	2,389	2,039
Business and government	**81,919**	79,858	70,631
	211,386	207,699	189,008
Allowances for credit losses	**(1,007)**	(955)	(928)
	210,379	206,744	188,080

Since October 31, 2022, residential mortgages (including home equity lines of credit) rose $2.0 billion or 2% given the activities of the Financial Markets segment and the Credigy subsidiary. Also since October 31, 2022, personal loans and credit card receivables decreased, while loans and acceptances to business and government rose $2.1 billion or 3%, mainly due to business growth at Commercial Banking, corporate banking financial services and Treasury activities.

Since January 31, 2022, loans and acceptances, net of allowances for credit losses, grew $22.3 billion or 12%. Residential mortgages (including home equity lines of credit) were up $10.1 billion or 10% due to sustained demand for mortgage credit in the Personal and Commercial segment and to business growth in the Financial Markets segment and at the ABA Bank and Credigy subsidiaries. Also compared to a year ago, personal loans grew $0.6 billion owing to the activities of Personal Banking and ABA Bank, credit card receivables grew $0.3 billion as consumer spending resumed, and loans and acceptances to business and government rose $11.3 billion or 16%, owing essentially to the activities of Commercial Banking, corporate financial services, and ABA Bank.

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, 2023, gross impaired loans stood at $1,207 million compared to $1,271 million as at October 31, 2022. As for net impaired loans, they totalled $972 million as at January 31, 2023 compared to $1,030 million as at October 31, 2022. Net impaired loans excluding POCI loans amounted to $476 million, decreasing $3 million from $479 million as at October 31, 2022. This decrease was due to decreases in the net impaired loans of the Wealth Management, Financial Markets, and ABA Bank loan portfolios, partly offset by an increase in net impaired loans of the Personal and Commercial Banking and Credigy (excluding POCI loans) loan portfolios. Net POCI loans stood at $496 million as at January 31, 2023, whereas they had totalled $551 million as at October 31, 2022, down as a result of repayments and maturities of certain loan portfolios.

As at January 31, 2023, other assets totalled $25.3 billion, a $3.6 billion decrease since October 31, 2022 that was mainly due to a decrease in derivative financial instruments, which were down $4.4 billion. This decrease was partly offset by increases in other assets, notably receivables, prepaid expenses and other items as well as interest and dividends receivable.

Liabilities
As at January 31, 2023, the Bank had total liabilities of $396.3 billion compared to $382.0 billion as at October 31, 2022.

The Bank's total deposit liability stood at $282.5 billion as at January 31, 2023, rising $16.1 billion or 6% from $266.4 billion as at October 31, 2022. As at January 31, 2023, personal deposits stood at $83.6 billion, rising $4.8 billion since October 31, 2022. This increase came mainly from business growth at Personal Banking, in the Wealth Management segment, and at ABA Bank.

Business and government deposits stood at $195.0 billion as at January 31, 2023, rising $10.8 billion since October 31, 2022. This increase came from Treasury funding activities, including $3.0 billion in deposits subject to bank recapitalization (bail-in) conversion regulations as well as business and government deposits from Commercial Banking activities and corporate financial services. Deposits from deposit-taking institutions stood at $3.8 billion as at January 31, 2023, rising $0.4 billion since October 31, 2022 due to Treasury funding activities.

Other liabilities, totalling $112.3 billion as at January 31, 2023, decreased $1.8 billion since October 31, 2022, resulting essentially from a $2.0 billion decrease in obligations related to securities sold short, a $2.4 billion decrease in derivative financial instruments and a $1.5 billion decrease in liabilities related to transferred receivables, partly offset by a $4.1 billion increase in obligations related to securities sold under repurchase agreements and securities loaned.

Equity

As at January 31, 2023, equity attributable to the Bank's shareholders and holders of other equity instruments was $22.0 billion, rising $0.3 billion since October 31, 2022. This increase was due to net income net of dividends and to the issuance of common shares under the Stock Option Plan. These increases were partly offset by remeasurements of pension plans and other post-employment benefit plans, by the net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss, and by accumulated other comprehensive income, notably net unrealized foreign currency translation losses on investments in foreign operations.

Event After the Consolidated Balance Sheet Date

Redemption of Subordinated Debt

On February 1, 2023, the Bank redeemed $750 million of medium-term notes maturing on February 1, 2028 at a price equal to their nominal value plus accrued interest.

Exposure 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 Canada 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 used 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, 2023, total commitments for this type of loan stood at $5,826 million ($5,285 million as at October 31, 2022). Details about other exposures are provided in the table concerning structured entities in Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2022.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2022. For additional information, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2022.

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, 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 53 and 54 of the *2022 Annual Report*.

For additional information on financial assets transferred but not derecognized, guarantees, commitments, and structured entities, see Notes 8, 26, and 27 to the audited annual consolidated financial statements for the year ended October 31, 2022.

Income Taxes

Proposed Legislation
On November 4, 2022, the Government of Canada introduced Bill C-32 – *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022* to implement tax measures applicable to certain entities of banking and life insurer groups, as presented in its April 7, 2022 budget. These tax measures include the Canada Recovery Dividend (CRD), which is a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as a 1.5% increase in the statutory tax rate. On December 15, 2022, Bill C-32 received royal assent. Given that these tax measures were in effect at the financial reporting date, a $32 million tax expense for the CRD and an $8 million tax recovery for the tax rate increase, including the impact related to current and deferred taxes for fiscal 2022, were recognized in the consolidated financial statements as at January 31, 2023.

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 the risks inherent to the Bank's business activities, supports its business segments, and protects its clients. The Bank's capital management policy defines the 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 maintain 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 55 to 64 of the Bank's *2022 Annual Report*.

Basel Accord
The Bank and all other major Canadian banks have to maintain the following 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 56 of the *2022 Annual Report*. All of these ratios include a capital conservation buffer of 2.5% established by the BCBS and OSFI, a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs), and a 2.5% domestic stability buffer established by OSFI. On December 8, 2022, OSFI expanded the buffer range, setting it at 0% to 4.0% instead of the previous range of 0% to 2.5%, and it announced that the buffer would rise from 2.5% to 3.0% effective February 1, 2023. The domestic stability buffer consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement is not subject to automatic constraints to reduce capital distributions but must provide a remediation plan to OSFI. Banks also have to meet a 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 financial instrument 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 requires that recognized regulatory capital instruments other than common equity must have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that rescuing a non-viable financial institution is in the public interest. As at January 31, 2023, all of the Bank's regulatory capital instruments, other than common shares, have an NVCC clause.

OSFI's *Total Loss Absorbing Capacity* (TLAC) *Guideline*, which applies to all D-SIBs under the federal government's bail-in regulations, is to ensure that a D-SIB has sufficient loss-absorbing capacity to support its internal recapitalization in the unlikely event it becomes non-viable. Available TLAC includes total capital as well as certain senior unsecured debts that satisfy all of the eligibility criteria of OSFI's TLAC guideline. OSFI requires 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 TLAC ratio is calculated by dividing available TLAC by risk-weighted assets, and the TLAC leverage ratio is calculated by dividing available TLAC by total exposure. As at January 31, 2023, outstanding liabilities of $15.8 billion ($12.8 billion as at October 31, 2022) were subject to conversion under the bail-in regulations.

Requirements – Regulatory Capital[1], Leverage[1], and TLAC[2] Ratios

	Requirements as at January 31, 2023							
	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	Minimum set by OSFI[3]	Domestic stability buffer[4]	Minimum set by OSFI[3], including the domestic stability buffer	Ratios as at January 31, 2023
Capital ratios								
CET1	4.5 %	2.5 %	7.0 %	1.0 %	8.0 %	2.5 %	10.5 %	12.6 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	9.5 %	2.5 %	12.0 %	15.2 %
Total[5]	8.0 %	2.5 %	10.5 %	1.0 %	11.5 %	2.5 %	14.0 %	16.0 %
Leverage ratio	3.0 %	n.a.	3.0 %	n.a.	3.0 %	n.a.	3.0 %	4.5 %
TLAC ratio	21.5 %	n.a.	21.5 %	n.a.	21.5 %	2.5 %	24.0 %	28.7 %
TLAC leverage ratio	6.75 %	n.a.	6.75 %	n.a.	6.75 %	n.a.	6.75 %	8.5 %

n.a. Not applicable
(1) The capital ratios and the leverage ratio are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline*.
(2) The TLAC ratio and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.
(3) The capital ratios and the TLAC ratio include the capital conservation buffer and the D-SIB surcharge.
(4) On December 8, 2022, OSFI announced that the buffer would rise from 2.5% to 3.0% effective February 1, 2023.
(5) Includes the $750 million redemption of medium-term notes on February 1, 2023.

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. Furthermore, a complete list of capital instruments and their main features is also available on the Bank's website.

Regulatory Developments

The Bank closely monitors regulatory developments and participates actively in various consultative processes. In response to the impact of the COVID-19 pandemic, on March 27, 2020, OSFI announced a series of regulatory adjustments to support the financial and operational resilience of banks. For additional information about the regulatory context on October 31, 2022 and about COVID-19 relief measures still in effect as at October 31, 2022, see pages 58 and 59 of the Capital Management section in the *2022 Annual Report.* The OSFI capital, leverage, liquidity and disclosure revised rules related to Basel III reforms will come into effect in the second quarter of 2023 except for the new market risk framework and the revised credit valuation adjustment (CVA) risk framework, which will take effect in the first quarter of 2024. Since November 1, 2022, there have been no new regulatory developments to be considered.

Management Activities

On December 12, 2022, the Bank began a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2.1% of its outstanding common shares) over the 12-month period ending no later than December 11, 2023. During the quarter ended January 31, 2023, the Bank did not repurchase any common shares.

On February 1, 2023, after the quarter-end date, the Bank redeemed $750 million of medium-term notes maturing on February 1, 2028. These instruments were excluded from the capital ratio calculations as at January 31, 2023.

Dividends

On February 28, 2023, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 97 cents per common share, payable on May 1, 2023, to shareholders of record on March 27, 2023.

Shares, Other Equity Instruments, and Stock Options

	As at January 31, 2023	
	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
LRCN – Series 3	500,000	500
	1,500,000	1,500
	67,500,000	3,150
Common shares	337,317,760	3,236
Stock options	12,604,649	

(1) Limited Recourse Capital Notes (LRCN).

As at February 24, 2023, there were 337,272,205 common shares and 12,581,333 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 a capital injection. If an NVCC trigger event were to occur, all of the Bank's preferred shares, LRCNs, and medium-term notes maturing on August 16, 2032, 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 869 million Bank common shares, which would have a 72.0% dilutive effect based on the number of Bank common shares outstanding as at January 31, 2023. The medium-term notes of $750 million redeemed on February 1, 2023 were excluded from the calculation.

Movement in Regulatory Capital[1]

(millions of Canadian dollars)	Quarter ended January 31, 2023
Common Equity Tier 1 (CET1) capital	
Balance at beginning	14,818
Issuance of common shares (including Stock Option Plan)	30
Impact of shares purchased or sold for trading	6
Repurchase of common shares	–
Other contributed surplus	3
Dividends on preferred and common shares and distributions on other equity instruments	(367)
Net income attributable to the Bank's shareholders and holders of other equity instruments	881
Common share capital issued by subsidiaries and held by third parties	–
Removal of own credit spread (net of income taxes)	228
Other	(184)
Movements in accumulated other comprehensive income	
Translation adjustments	(100)
Debt securities at fair value through other comprehensive income	15
Other	1
Change in goodwill and intangible assets (net of related tax liability)	16
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	40
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)	(2)
Other deductions or regulatory adjustments to CET1 implemented by OSFI	(55)
Change in other regulatory adjustments	–
Balance at end	15,330
Additional Tier 1 capital	
Balance at beginning	3,143
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	5
Balance at end	3,148
Total Tier 1 capital	18,478
Tier 2 capital	
Balance at beginning	1,766
New Tier 2 eligible capital issuances	–
Redeemed capital[2]	(750)
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	76
Other, including regulatory adjustments and transitional arrangements	(86)
Balance at end	1,006
Total regulatory capital	19,484

(1) See the Financial Reporting Method section on pages 4 to 8 for additional information on capital management measures.
(2) Includes the $750 million redemption of medium-term notes on February 1, 2023.

Risk-Weighted Assets by Key Risk Drivers
Risk-weighted assets (RWA) amounted to $121.8 billion as at January 31, 2023 compared to $116.8 billion as at October 31, 2022, a $5.0 billion increase resulting mainly from organic growth in RWA and a deterioration in the credit quality of the loan portfolio, partly offset by 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, 2023	October 31, 2022
	Non-counterparty credit risk	Counterparty credit risk	Total	Total
Credit risk – Risk-weighted assets at beginning	**87,654**	**8,487**	**96,141**	91,229
Book size	**5,492**	**(1,053)**	**4,439**	2,405
Book quality	**1,525**	**(828)**	**697**	93
Model updates	**159**	**13**	**172**	300
Methodology and policy	**93**	**13**	**106**	339
Acquisitions and disposals	**–**	**–**	**–**	–
Foreign exchange movements	**(662)**	**(73)**	**(735)**	1,775
Credit risk – Risk-weighted assets at end	**94,261**	**6,559**	**100,820**	96,141
Market risk – Risk-weighted assets at beginning			**6,025**	5,696
Movement in risk levels(2)			**(65)**	329
Model updates			**–**	–
Methodology and policy			**–**	–
Acquisitions and disposals			**–**	–
Market risk – Risk-weighted assets at end			**5,960**	6,025
Operational risk – Risk-weighted assets at beginning			**14,674**	14,452
Movement in risk levels			**359**	222
Acquisitions and disposals			**–**	–
Operational risk – Risk-weighted assets at end			**15,033**	14,674
Risk-weighted assets at end			**121,813**	116,840

(1) See the Financial Reporting Method section on pages 4 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, 2023, the Bank updated the model used for certain non-retail exposures.

The *Methodology and policy* item presents the impact of changes in calculation methods resulting from changes in regulatory policies or from new regulations. During the quarter ended January 31, 2023, the Bank continued early adopting the Basel III reform requirements related to risk parameter floors for certain exposures calculated using the Internal Ratings-Based Approach for credit risk.

Regulatory Capital Ratios, Leverage Ratio, and TLAC Ratios

As at January 31, 2023, the Bank's CET1, Tier 1, and Total capital ratios were, respectively, 12.6%, 15.2% and 16.0% compared to ratios of, respectively, 12.7%, 15.4% and 16.9% as at October 31, 2022. All of the ratios decreased since October 31, 2022, essentially due to growth in RWA and to the end of the transitional measures applicable to ECL provisioning implemented by OSFI at the beginning of the COVID-19 pandemic. These factors were partly offset by the contribution from net income, net of dividends, and by common share issuances under the Stock Option Plan. The decrease in the Total capital ratio was due to the same factors as well as to the $750 million redemption of medium-term notes on February 1, 2023. As at January 31, 2023, the leverage ratio was 4.5%, stable compared to October 31, 2022. The growth in Tier 1 capital was offset by growth in total exposure, which continues to benefit, until April 1, 2023, from the temporary measure permitted by OSFI with respect to the exclusion of exposures from central bank reserves.

As at January 31, 2023, the Bank's TLAC ratio and TLAC leverage ratio were, respectively, 28.7% and 8.5%, compared to 27.7% and 8.1%, respectively, as at October 31, 2022. The increase in the TLAC ratio was due to the net TLAC instrument issuances that meet the eligibility criteria during the period, partly offset by the factors described for the Total capital ratio. The increase in the TLAC leverage ratio was due to the same factors as those provided for the leverage ratio and to the net TLAC instrument issuances.

During the quarter ended January 31, 2023, the Bank was in compliance with all of OSFI's regulatory capital, leverage, and TLAC requirements.

Regulatory Capital(1), Leverage Ratio(1) and TLAC(2)

(millions of Canadian dollars)	As at January 31, 2023	As at October 31, 2022
Capital		
CET1	15,330	14,818
Tier 1	18,478	17,961
Total(3)	19,484	19,727
Risk-weighted assets	121,813	116,840
Total exposure	411,149	401,780
Capital ratios		
CET1	12.6 %	12.7 %
Tier 1	15.2 %	15.4 %
Total(3)	16.0 %	16.9 %
Leverage ratio	4.5 %	4.5 %
Available TLAC	34,902	32,351
TLAC ratio	28.7 %	27.7 %
TLAC leverage ratio	8.5 %	8.1 %

(1) Capital, risk-weighted assets, total exposure, the capital ratios and the leverage ratio are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline*. The calculation of the figures as at October 31, 2022 had included the transitional measure applicable to expected credit loss provisioning implemented by OSFI in response to the COVID-19 pandemic. This provision ceased to apply on November 1, 2022.
(2) Available TLAC, the TLAC ratio, and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.
(3) Includes the $750 million redemption of medium-term notes on February 1, 2023.

Public Disclosure Requirements for Global Systemically Important Banks

The BCBS developed an assessment methodology and additional loss absorbency requirements as well as indicators to be used by the BCBS and the Financial Stability Board to evaluate Global Systemically Important Banks (G-SIBs). The annual public disclosure requirements apply to large, globally active banks.

The most recent version of OSFI's advisory entitled *Global Systemically Important Banks – Public Disclosure Requirements* regarding implementation of public disclosure requirements for G-SIBs in Canada took effect in the first quarter of 2022. Canadian banks, including the Bank, that have not been designated as G-SIBs and that have total exposure (as calculated using the Basel III leverage ratio) greater than 200 billion euros at fiscal year-end must publish the indicators annually. The indicators are calculated and presented in accordance with specific BCBS guidance, which is updated annually. Consequently, the values obtained may not be comparable to the other measures presented in this report. The following table presents the indicators used in the 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	2022	2021
Cross-jurisdictional activity(2)	Cross-jurisdictional claims	97,929	87,661
	Cross-jurisdictional liabilities	54,414	65,214
Size(3)	Total exposures as defined for use in the Basel III leverage ratio(4)	429,692	387,725
Interconnectedness(5)	Intra-financial system assets(4)	66,590	50,614
	Intra-financial system liabilities(4)	42,789	40,301
	Securities outstanding(4)	105,572	105,213
Substitutability / financial institutions infrastructure(6)	Payment activity(7)	17,366,801	14,059,326
	Assets under custody	615,973	651,345
	Underwritten transactions in debt and equity markets	26,017	35,658
	Trading volume(8)		
	Fixed-income securities(8)	829,877	740,927
	Equities and other securities(8)	1,335,166	1,289,087
Complexity(9)	Notional amount of over-the-counter derivative financial instruments(4)	1,816,770	1,481,260
	Trading and investment securities	49,493	52,936
	Level 3 financial assets(4)	1,128	1,077

(1) For the years ended October 31, 2022 and 2021, the G-SIB indicators were prepared using the methodology prescribed in the BCBS guidelines published in July 2018 and in the guidance provided by the BCBS in January 2023 and January 2022, respectively.
(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.
(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, 2022 and 2021.
(8) This indicator consists of two sub-indicators: fixed-income securities as well as equities and other securities.
(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 that is 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 also 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.

Despite the exercise of stringent risk management and existing mitigation measures, risk cannot be eliminated entirely, and residual risks may occasionally cause significant losses. Certain risks are discussed hereafter. For additional information, see the Risk Management section on pages 65 to 105 of the *2022 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.

Since March 2, 2022, the Bank of Canada raised its policy rate eight times; the rate has thus risen from 0.25% to 4.50% in less than a year. This rapid increase in rates, undertaken primarily to counter inflation in Canada, is putting pressure on the ability of borrowers to make payments, notably borrowers who have variable-rate mortgages or for whom the mortgage term is up for renewal.

Regulatory Developments

The Bank closely monitors regulatory developments and participates actively in various consultative processes. For additional information about the regulatory context on October 31, 2022, see pages 77 and 78 of the Risk Management section of the *2022 Annual Report*. In addition, since November 1, 2022, the below-described regulatory developments should also be considered.

On December 15, 2022, 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 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 would have the ability to make mortgage payments should circumstances change, e.g., in the case of reduced income or a rise in interest rates.

On January 1, 2023, the *Prohibition on the Purchase of Residential Property by Non-Canadians Act* came into effect. This purpose of this law, which will be in effect until January 1, 2025, is to help Canadians access the property market and to reduce speculative purchasing that risks raising the prices of properties in some already overheated markets. The law contains several categories of exceptions and is limited to certain regions. Financial institutions may not deliberately help a non-Canadian identified in the law, subject to penalty, but buyers themselves are responsible for ensuring that the transaction is permitted by law.

In January 2023, OSFI launched a public consultation on Guideline B-20 entitled *Residential Mortgage Underwriting Practices and Procedures Guideline,* starting with an initial consultation on debt servicing measures in order to mitigate the risk arising from the high debt levels of consumers. OSFI is seeking stakeholder comments on the following debt servicing measures, including the repercussions they may have on borrowers and lenders: restrictions of the loan-to-income (LTI) ratio, restrictions of the debt-to-income (DTI) ratio, restrictions related to debt servicing, and stress tests on interest rate affordability.

The amounts in the following tables represent the Bank's maximum exposure to credit risk as at the financial reporting date without considering any collateral held or any other credit enhancements. These amounts do not include allowances for credit losses nor amounts pledged as collateral. The tables also exclude equity securities.

Maximum Credit Risk Exposure Under the Basel Asset Categories(1)

(millions of Canadian dollars)								As at January 31, 2023
	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	74,105	8,827	–	–	–	82,932	13 %	87 %
Qualifying revolving retail	2,349	6,893	–	–	–	9,242	– %	100 %
Other retail	17,583	2,767	–	–	33	20,383	26 %	74 %
	94,037	18,487	–	–	33	112,557		
Non-retail								
Corporate	83,377	32,945	40,810	352	5,998	163,482	14 %	86 %
Sovereign	68,263	5,537	63,697	–	339	137,836	2 %	98 %
Financial institutions	8,139	166	93,534	1,177	820	103,836	21 %	79 %
	159,779	38,648	198,041	1,529	7,157	405,154		
Trading portfolio	–	–	–	10,640	–	10,640	2 %	98 %
Securitization	4,927	–	–	–	4,233	9,160	86 %	14 %
Total – Gross credit risk	258,743	57,135	198,041	12,169	11,423	537,511	13 %	87 %
Standardized Approach(5)	33,095	302	32,921	1,271	4,630	72,219		
AIRB Approach	225,648	56,833	165,120	10,898	6,793	465,292		
Total – Gross credit risk	258,743	57,135	198,041	12,169	11,423	537,511	13 %	87 %

(millions of Canadian dollars)								As at October 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	73,324	8,616	–	–	–	81,940	12 %	88 %
Qualifying revolving retail	2,483	6,920	–	–	–	9,403	– %	100 %
Other retail	17,526	2,688	–	–	35	20,249	25 %	75 %
	93,333	18,224	–	–	35	111,592		
Non-retail								
Corporate	81,763	29,811	36,194	322	5,538	153,628	13 %	87 %
Sovereign	56,253	5,821	68,906	–	326	131,306	2 %	98 %
Financial institutions	7,200	166	76,856	1,150	754	86,126	19 %	81 %
	145,216	35,798	181,956	1,472	6,618	371,060		
Trading portfolio	–	–	–	13,662	–	13,662	2 %	98 %
Securitization	4,409	–	–	–	4,373	8,782	80 %	20 %
Total – Gross credit risk	242,958	54,022	181,956	15,134	11,026	505,096	12 %	88 %
Standardized Approach(5)	30,704	311	24,783	1,308	4,610	61,716		
AIRB Approach	212,254	53,711	157,173	13,826	6,416	443,380		
Total – Gross credit risk	242,958	54,022	181,956	15,134	11,026	505,096	12 %	88 %

(1) See the Financial Reporting Method section on pages 4 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 an obligor 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 2023* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – First Quarter 2023,* 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 has been operating in a volatile environment in recent years. Adding to this uncertainty is the Russia-Ukraine war, which is affecting global financial and economic markets and exacerbating economic conditions, as well as such issues as rising inflation, higher interest rates, and a disrupted global supply chain.

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, 2023
		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	42,286	1,373	22,472	18,441	Interest rate[3]
Securities					
At fair value through profit or loss	89,835	88,389	1,446	–	Interest rate[3] and equity
At fair value through other comprehensive income	10,079	–	10,079	–	Interest rate[3] and equity[4]
At amortized cost	14,025	–	14,025	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	26,430	–	26,430	–	Interest rate[3][5]
Loans and acceptances, net of allowances	210,379	10,822	199,557	–	Interest rate[3]
Derivative financial instruments	14,060	12,764	1,296	–	Interest rate and exchange rate
Defined benefit asset	452	–	452	–	Other
Other	10,796	–	–	10,796	
	418,342	113,348	275,757	29,237	
Liabilities					
Deposits	282,505	17,781	264,724	–	Interest rate[3]
Acceptances	6,765	–	6,765	–	Interest rate[3]
Obligations related to securities sold short	19,778	19,778	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	37,635	–	37,635	–	Interest rate[3][5]
Derivative financial instruments	17,170	16,691	479	–	Interest rate and exchange rate
Liabilities related to transferred receivables	24,832	9,147	15,685	–	Interest rate[3]
Defined benefit liability	116	–	116	–	Other
Other	6,029	–	77	5,952	Interest rate[3]
Subordinated debt	1,497	–	1,497	–	Interest rate[3]
	396,327	63,397	326,978	5,952	

(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 *2022 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total trading 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 *2022 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total trading 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, 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	31,870	837	20,269	10,764	Interest rate[3]
Securities					
At fair value through profit or loss	87,375	85,805	1,570	–	Interest rate[3] and equity[4]
At fair value through other comprehensive income	8,828	–	8,828	–	Interest rate[3] and equity[5]
Amortized cost	13,516	–	13,516	–	Interest rate[3]
Securities purchased under reverse repurchase agreements and securities borrowed	26,486	–	26,486	–	Interest rate[3][6]
Loans and acceptances, net of allowances	206,744	9,914	196,830	–	Interest rate[3]
Derivative financial instruments	18,547	16,968	1,579	–	Interest rate[7] and exchange rate[7]
Defined benefit asset	498	–	498	–	Other[8]
Other	9,876	–	–	9,876	
	403,740	113,524	269,576	20,640	
Liabilities					
Deposits	266,394	15,422	250,972	–	Interest rate[3]
Acceptances	6,541	–	6,541	–	Interest rate[3]
Obligations related to securities sold short	21,817	21,817	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	33,473	–	33,473	–	Interest rate[3][6]
Derivative financial instruments	19,632	18,909	723	–	Interest rate[7] and exchange rate[7]
Liabilities related to transferred receivables	26,277	9,927	16,350	–	Interest rate[3]
Defined benefit liability	111	–	111	–	Other[8]
Other	6,250	–	77	6,173	Interest rate[3]
Subordinated debt	1,499	–	1,499	–	Interest rate[3]
	381,994	66,075	309,746	6,173	

(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 *2022 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total trading 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 *2022 Annual Report* that shows the VaR distribution of the trading portfolios by risk category and their diversification effect as well as total trading 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, 2022.
(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, 2022.
(8) For additional information, see Note 23 to the audited annual consolidated financial statements for the year ended October 31, 2022.

Trading Activities

The table below shows the VaR distribution of trading portfolios by risk category and their diversification effect as well as total trading SVaR, i.e., the VaR of the Bank's current portfolios obtained following a 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, 2023	October 31, 2022		January 31, 2022	
	Low	High	Average	Period end	Average	Period end	Average	Period end
Interest rate	(5.2)	(7.9)	(6.7)	(6.3)	(6.0)	(5.2)	(7.2)	(11.3)
Exchange rate	(1.3)	(4.1)	(2.3)	(2.0)	(3.0)	(2.1)	(1.6)	(0.9)
Equity	(5.8)	(8.8)	(7.1)	(5.8)	(8.0)	(7.1)	(6.2)	(6.6)
Commodity	(0.6)	(1.4)	(1.0)	(0.9)	(1.0)	(1.2)	(0.8)	(0.6)
Diversification effect(3)	n.m.	n.m.	8.5	7.4	9.0	7.3	9.1	12.3
Total trading VaR	(6.9)	(10.5)	(8.6)	(7.6)	(9.0)	(8.3)	(6.7)	(7.1)
Total trading SVaR	(10.8)	(24.7)	(18.3)	(11.6)	(18.2)	(18.8)	(9.1)	(8.1)

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 45 to 48 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.

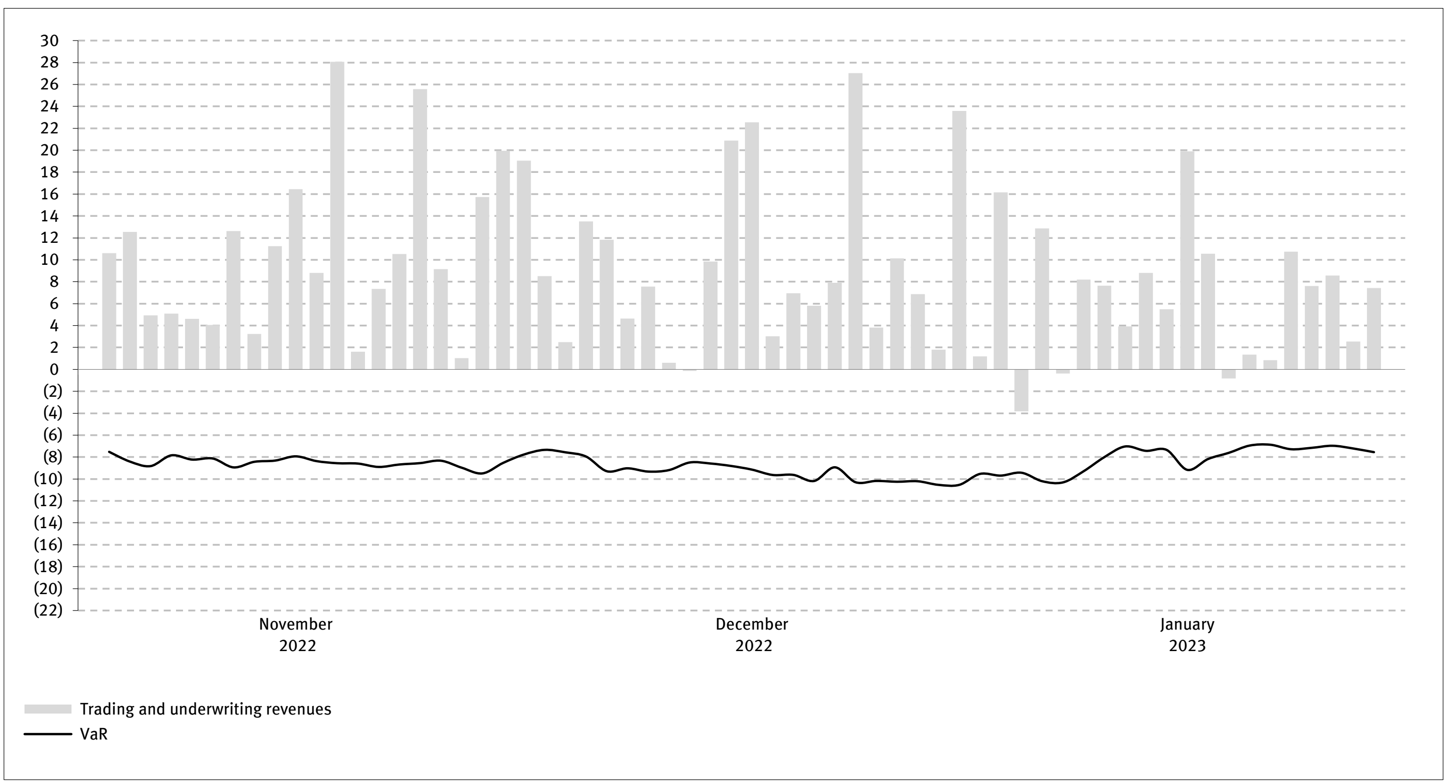
Between the fourth quarter of 2022 and the first quarter of 2023, the average total trading VaR and the average total trading SVaR remained relatively stable.

Daily Trading and Underwriting Revenues

The following chart shows daily trading and underwriting revenues and VaR. During the quarter ended January 31, 2023, daily trading and underwriting revenues were positive 94% of the days. One trading day was marked by daily trading and underwriting net losses of more than $1 million. None of these losses exceeded the VaR.

Quarter Ended January 31, 2023

(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 100-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.

(millions of Canadian dollars)	As at January 31, 2023			As at October 31, 2022		
	Canadian dollar	**Other currencies**	**Total**	Canadian dollar	Other currencies	Total
Impact on equity						
100-basis-point increase in the interest rate	**(246)**	**13**	**(233)**	(191)	(24)	(215)
100-basis-point decrease in the interest rate	**234**	**(13)**	**221**	179	27	206
Impact on net interest income						
100-basis-point increase in the interest rate	**114**	**4**	**118**	128	2	130
100-basis-point decrease in the interest rate	**(130)**	**(4)**	**(134)**	(141)	(2)	(143)

Liquidity and Funding Risk

Liquidity and funding risk is the risk that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity and funding risk arises when sources of funds become insufficient to meet scheduled payments under the Bank's commitments.

Liquidity risk stems from mismatched cash flows related to assets and liabilities as well as 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.

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, 2022, refer to page 91 of the Risk Management section in the *2022 Annual Report*. Since November 1, 2022, the below-described regulatory developments should also be considered.

On November 7, 2022, OSFI published a new guideline entitled *Assurance on Capital, Leverage and Liquidity Returns*. OSFI relies largely on the regulatory returns produced by financial institutions when assessing their safety and soundness. The purpose of this draft guideline is to better inform auditors and institutions on the work to be performed on regulatory returns in order to clarify and align OSFI's assurance expectations across all financial institutions. In particular, the draft guideline addresses the assurance that must be provided by an external audit, attestation by senior management, the assurance that must be provided by an internal audit, and the proposed effective dates. The Bank is actively participating in this consultation.

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 the 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, 2023	As at October 31, 2022
	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	42,286	–	42,286	8,985	33,301	24,180
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	36,489	39,539	76,028	46,083	29,945	25,894
Issued or guaranteed by Canadian provincial and municipal governments	13,785	6,887	20,672	12,076	8,596	8,421
Other debt securities	11,348	3,696	15,044	3,023	12,021	9,809
Equity securities	52,317	46,465	98,782	75,584	23,198	27,291
Loans						
Securities backed by insured residential mortgages	12,182	–	12,182	6,483	5,699	5,582
As at January 31, 2023	168,407	96,587	264,994	152,234	112,760	
As at October 31, 2022	153,384	92,257	245,641	144,464		101,177

(millions of Canadian dollars)	As at January 31, 2023	As at October 31, 2022
Unencumbered liquid assets by entity		
National Bank (parent)	63,886	52,544
Domestic subsidiaries	13,229	14,576
Foreign subsidiaries and branches	35,645	34,057
	112,760	101,177

(millions of Canadian dollars)	As at January 31, 2023	As at October 31, 2022
Unencumbered liquid assets by currency		
Canadian dollar	54,077	49,466
U.S. dollar	35,032	24,871
Other currencies	23,651	26,840
	112,760	101,177

Liquid Asset Portfolio(1) **– Average**(5)

(millions of Canadian dollars)						Quarter ended
					January 31, 2023	October 31, 2022
	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	42,743	–	42,743	8,259	34,484	29,994
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	40,109	39,340	79,449	52,658	26,791	25,487
Issued or guaranteed by Canadian provincial and municipal governments	14,295	8,329	22,624	14,174	8,450	7,749
Other debt securities	11,472	3,431	14,903	3,224	11,679	10,316
Equity securities	54,763	47,456	102,219	76,799	25,420	24,386
Loans						
Securities backed by insured residential mortgages	11,859	–	11,859	6,208	5,651	4,639
	175,241	98,556	273,797	161,322	112,475	102,571

(1) See the Financial Reporting Method section on pages 4 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, 2023
		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	416	8,569	33,301	–	42,286	2.2
Securities	46,831	–	67,108	–	113,939	11.2
Securities purchased under reverse repurchase agreements and securities borrowed	–	19,778	6,652	–	26,430	4.7
Loans and acceptances, net of allowances	37,274	–	5,699	167,406	210,379	8.9
Derivative financial instruments	–	–	–	14,060	14,060	–
Investments in associates and joint ventures	–	–	–	142	142	–
Premises and equipment	–	–	–	1,451	1,451	–
Goodwill	–	–	–	1,515	1,515	–
Intangible assets	–	–	–	1,341	1,341	–
Other assets	–	–	–	6,799	6,799	–
	84,521	28,347	112,760	192,714	418,342	27.0

(millions of Canadian dollars)						As at October 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	295	7,395	24,180	–	31,870	1.9
Securities	42,972	–	66,747	–	109,719	10.6
Securities purchased under reverse repurchase agreements and securities borrowed	–	21,818	4,668	–	26,486	5.4
Loans and acceptances, net of allowances	37,426	–	5,582	163,736	206,744	9.3
Derivative financial instruments	–	–	–	18,547	18,547	–
Investments in associates and joint ventures	–	–	–	140	140	–
Premises and equipment	–	–	–	1,397	1,397	–
Goodwill	–	–	–	1,519	1,519	–
Intangible assets	–	–	–	1,360	1,360	–
Other assets	–	–	–	5,958	5,958	–
	80,693	29,213	101,177	192,657	403,740	27.2

(1) See the Financial Reporting Method section on pages 4 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 requires 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 are established by the BCBS and OSFI's *Liquidity Adequacy Requirements Guideline*.

The table on the following page provides average LCR data calculated using the daily figures in the quarter. For the quarter ended January 31, 2023, the Bank's average LCR was 151%, well above the 100% regulatory requirement and demonstrating the Bank's solid short-term liquidity position.

LCR Disclosure Requirements[(1)(2)]

(millions of Canadian dollars)			Quarter ended
		January 31, 2023	October 31, 2022
	Total unweighted value[(3)] (average)	Total weighted value[(4)] (average)	Total weighted value[(4)] (average)
High-quality liquid assets (HQLA)			
Total HQLA	n.a.	80,159	76,469
Cash outflows			
Retail deposits and deposits from small business customers, of which:	71,551	8,829	6,953
Stable deposits	28,342	850	861
Less stable deposits	43,209	7,979	6,092
Unsecured wholesale funding, of which:	101,834	55,111	55,770
Operational deposits (all counterparties) and deposits in networks of cooperative banks	30,303	7,387	6,738
Non-operational deposits (all counterparties)	59,768	35,961	36,966
Unsecured debt	11,763	11,763	12,066
Secured wholesale funding	n.a.	24,610	20,465
Additional requirements, of which:	55,849	14,746	14,231
Outflows related to derivative exposures and other collateral requirements	16,375	7,514	7,381
Outflows related to loss of funding on secured debt securities	1,662	1,662	1,580
Backstop liquidity and credit enhancement facilities and commitments to extend credit	37,812	5,570	5,270
Other contractual commitments to extend credit	1,644	790	1,040
Other contingent commitments to extend credit	123,576	1,809	1,788
Total cash outflows	n.a.	105,895	100,247
Cash inflows			
Secured lending (e.g., reverse repos)	111,745	27,683	22,562
Inflows from fully performing exposures	9,671	6,148	6,673
Other cash inflows	18,504	18,504	15,966
Total cash inflows	139,920	52,335	45,201
		Total adjusted value[(5)]	Total adjusted value[(5)]
Total HQLA		80,159	76,469
Total net cash outflows		53,560	55,046
Liquidity coverage ratio (%)[(6)]		151 %	140 %

n.a. Not applicable
(1) See the Financial Reporting Method section on pages 4 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, 2023, Level 1 liquid assets represented 84% 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 without such variation being necessarily indicative of a trend. The variation between the quarter ended January 31, 2023 and the preceding quarter was 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 would erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The 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, 2023, the Bank's NSFR was 121%, well above the 100% regulatory requirement and demonstrating the Bank's solid long-term liquidity position.

NSFR Disclosure Requirements(1)(2)

(millions of Canadian dollars)	As at January 31, 2023					As at October 31, 2022
	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:	22,015	750	–	747	22,762	23,245
Regulatory capital	22,015	750	–	747	22,762	23,245
Other capital instruments	–	–	–	–	–	–
Retail deposits and deposits from small business customers:	64,631	14,526	9,763	19,506	97,081	90,866
Stable deposits	26,234	4,258	4,138	5,988	38,887	37,850
Less stable deposits	38,397	10,268	5,625	13,518	58,194	53,016
Wholesale funding:	59,283	94,650	11,050	43,043	98,104	91,959
Operational deposits	29,555	–	–	–	14,778	15,538
Other wholesale funding	29,728	94,650	11,050	43,043	83,326	76,421
Liabilities with matching interdependent assets(4)	–	1,927	3,687	19,218	–	–
Other liabilities(5):	23,386		7,306		674	710
NSFR derivative liabilities(5)	n.a.		4,108		n.a.	n.a.
All other liabilities and equity not included in the above categories	23,386	2,470	109	619	674	710
Total ASF	n.a.	n.a.	n.a.	n.a.	218,621	206,780
Required Stable Funding (RSF) Items						
Total NSFR high-quality liquid assets (HQLA)	n.a.	n.a.	n.a.	n.a.	8,610	8,845
Deposits held at other financial institutions for operational purposes	–	–	–	–	–	–
Performing loans and securities:	59,696	63,709	21,878	100,337	148,482	145,555
Performing loans to financial institutions secured by Level 1 HQLA	2,004	6,441	–	9	474	343
Performing loans to financial institutions secured by non-Level-1 HQLA and unsecured performing loans to financial institutions	8,275	23,646	2,200	368	5,828	5,426
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	25,825	25,943	13,643	36,676	71,676	70,494
With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	209	2,282	653	718	2,070	2,360
Performing residential mortgages, of which:	9,479	5,948	5,386	57,411	52,327	52,743
With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	9,479	5,948	5,386	57,411	52,327	52,743
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	14,113	1,731	649	5,873	18,177	16,549
Assets with matching interdependent liabilities(4)	–	1,927	3,687	19,218	–	–
Other assets(5):	3,976		30,033		19,847	18,455
Physical traded commodities, including gold	416	n.a.	n.a.	n.a.	416	294
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs(5)	n.a.		9,610		8,168	7,151
NSFR derivative assets(5)	n.a.		1,529		–	–
NSFR derivative liabilities before deduction of the variation margin posted(5)	n.a.		11,016		551	1,284
All other assets not included in the above categories	3,560	6,737	255	886	10,712	9,726
Off-balance-sheet items(5)	n.a.		104,788		3,937	3,787
Total RSF	n.a.	n.a.	n.a.	n.a.	180,876	176,642
Net Stable Funding Ratio (%)	n.a.	n.a.	n.a.	n.a.	121 %	117 %

n.a. Not applicable
(1) See the Financial Reporting Method section on pages 4 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 ASF and RSF 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 without such variation being necessarily indicative of a long-term 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 market trends as well as possibilities for accessing less expensive and more flexible funding, considering both the risks and opportunities observed. 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, 2023
	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]	410	399	–	8	817	–	–	817
Certificates of deposit and commercial paper[3]	4,867	8,164	4,631	685	18,347	–	–	18,347
Senior unsecured medium-term notes[4][5]	2,835	764	1,576	196	5,371	5,786	7,110	18,267
Senior unsecured structured notes	–	179	69	–	248	32	2,638	2,918
Covered bonds and asset-backed securities								
Mortgage securitization	69	418	752	3,239	4,478	3,799	16,555	24,832
Covered bonds	–	–	1,084	2,168	3,252	339	7,794	11,385
Securitization of credit card receivables	–	–	29	–	29	49	–	78
Subordinated liabilities[6]	750	–	–	–	750	–	747	1,497
	8,931	9,924	8,141	6,296	33,292	10,005	34,844	78,141
Secured funding	69	418	1,865	5,407	7,759	4,187	24,349	36,295
Unsecured funding	8,862	9,506	6,276	889	25,533	5,818	10,495	41,846
	8,931	9,924	8,141	6,296	33,292	10,005	34,844	78,141
As at October 31, 2022	6,122	8,390	8,393	7,113	30,018	9,338	32,752	72,108

(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 in credit rating. 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, 2023
	One-notch downgrade	Three-notch downgrade
Derivatives[1]	30	72

(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, 2023 with comparative figures as at October 31, 2022. 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, 2023
	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	15,120	151	77	709	402	–	–	–	25,827	42,286
Securities										
At fair value through profit or loss	2,743	4,301	2,536	2,313	1,148	2,746	11,301	11,003	51,744	89,835
At fair value through other comprehensive income	–	10	19	48	32	1,092	5,521	2,784	573	10,079
At amortized cost	237	329	1,494	449	230	3,603	6,367	1,316	–	14,025
	2,980	4,640	4,049	2,810	1,410	7,441	23,189	15,103	52,317	113,939
Securities purchased under reverse repurchase agreements and securities borrowed	11,952	1,913	1,621	41	401	1,023	–	–	9,479	26,430
Loans(1)										
Residential mortgage	1,585	1,354	2,740	2,737	2,248	10,278	53,601	7,001	560	82,104
Personal	393	613	1,197	1,032	843	4,199	17,333	5,070	14,387	45,067
Credit card									2,296	2,296
Business and government	18,394	5,272	3,980	3,383	3,034	6,386	11,899	2,680	20,126	75,154
Customers' liability under acceptances	5,572	1,177	16	–	–	–	–	–	–	6,765
Allowances for credit losses									(1,007)	(1,007)
	25,944	8,416	7,933	7,152	6,125	20,863	82,833	14,751	36,362	210,379
Other										
Derivative financial instruments	1,290	1,561	1,250	729	847	1,241	4,470	2,672	–	14,060
Investments in associates and joint ventures									142	142
Premises and equipment									1,451	1,451
Goodwill									1,515	1,515
Intangible assets									1,341	1,341
Other assets(1)	3,105	714	103	313	620	571	132	45	1,196	6,799
	4,395	2,275	1,353	1,042	1,467	1,812	4,602	2,717	5,645	25,308
	60,391	17,395	15,033	11,754	9,805	31,139	110,624	32,571	129,630	418,342

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

(millions of Canadian dollars)										As at January 31, 2023
	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	1,833	2,244	5,828	6,544	5,513	6,512	9,281	4,893	40,999	83,647
Business and government	41,543	14,075	12,619	4,678	3,960	7,261	14,997	5,041	90,864	195,038
Deposit-taking institutions	559	459	588	565	19	5	11	35	1,579	3,820
	43,935	16,778	19,035	11,787	9,492	13,778	24,289	9,969	133,442	282,505
Other										
Acceptances	5,572	1,177	16	–	–	–	–	–	–	6,765
Obligations related to securities sold short[3]	61	328	336	708	95	1,811	2,516	5,914	8,009	19,778
Obligations related to securities sold under repurchase agreements and securities loaned	21,608	2,531	1,530	3,326	–	31	–	–	8,609	37,635
Derivative financial instruments	2,154	1,725	1,070	733	1,246	1,775	5,029	3,438	–	17,170
Liabilities related to transferred receivables[4]	69	418	752	2,169	1,070	3,799	8,307	8,248	–	24,832
Securitization – Credit card[5]	–	–	29	–	–	49	–	–	–	78
Lease liabilities[5]	7	15	22	24	23	91	221	140	–	543
Other liabilities – Other items[1][5]	1,318	121	36	37	50	29	43	59	3,831	5,524
	30,789	6,315	3,791	6,997	2,484	7,585	16,116	17,799	20,449	112,325
Subordinated debt	750	–	–	–	–	–	–	747	–	1,497
Equity									22,015	22,015
	75,474	23,093	22,826	18,784	11,976	21,363	40,405	28,515	175,906	418,342
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	72	456	1,496	1,503	2,810	765	171	5	–	7,278
Credit card receivables[6]									9,521	9,521
Backstop liquidity and credit enhancement facilities[7]	–	–	15	–	15	5,552	–	–	3,205	8,787
Commitments to extend credit[8]	2,766	10,534	8,161	5,144	4,557	3,858	3,110	49	47,459	85,638
Obligations related to:										
Lease commitments[9]	1	1	2	2	1	6	10	7	–	30
Other contracts[10]	27	40	40	40	41	27	44	14	91	364

(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 $5.6 billion.
(8) These amounts include $44.2 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 $0.2 billion in contractual commitments related to the head office building under construction.

(millions of Canadian dollars)										As at October 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	13,084	142	311	18	685	–	–	–	17,630	31,870
Securities										
At fair value through profit or loss	1,527	6,450	5,405	2,267	2,337	3,369	8,634	10,661	46,725	87,375
At fair value through other comprehensive income	5	30	13	20	46	952	4,910	2,296	556	8,828
At amortized cost	602	196	1,876	1,032	95	2,840	5,802	1,073	–	13,516
	2,134	6,676	7,294	3,319	2,478	7,161	19,346	14,030	47,281	109,719
Securities purchased under reverse repurchase agreements and securities borrowed	12,489	1,231	890	–	409	1,044	–	–	10,423	26,486
Loans[1]										
Residential mortgage	1,155	1,124	1,899	2,716	2,364	8,910	53,335	8,059	567	80,129
Personal	423	449	878	1,208	1,036	3,701	17,792	5,085	14,751	45,323
Credit card									2,389	2,389
Business and government	19,980	3,491	3,971	3,586	2,604	6,167	11,452	2,985	19,081	73,317
Customers' liability under acceptances	5,967	554	20	–	–	–	–	–	–	6,541
Allowances for credit losses									(955)	(955)
	27,525	5,618	6,768	7,510	6,004	18,778	82,579	16,129	35,833	206,744
Other										
Derivative financial instruments	2,046	2,804	1,853	1,190	698	1,742	5,182	3,032	–	18,547
Investments in associates and joint ventures									140	140
Premises and equipment									1,397	1,397
Goodwill									1,519	1,519
Intangible assets									1,360	1,360
Other assets[1]	2,633	527	472	161	94	502	107	86	1,376	5,958
	4,679	3,331	2,325	1,351	792	2,244	5,289	3,118	5,792	28,921
	59,911	16,998	17,588	12,198	10,368	29,227	107,214	33,277	116,959	403,740

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

(millions of Canadian dollars)										As at October 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	1,482	1,493	2,955	6,013	6,141	6,418	7,942	4,252	42,115	78,811
Business and government	36,864	11,605	10,644	4,875	3,728	5,988	13,659	4,227	92,640	184,230
Deposit-taking institutions	724	624	54	122	30	–	7	36	1,756	3,353
	39,070	13,722	13,653	11,010	9,899	12,406	21,608	8,515	136,511	266,394
Other										
Acceptances	5,967	554	20	–	–	–	–	–	–	6,541
Obligations related to securities sold short(3)	428	394	634	74	920	1,493	3,948	6,386	7,540	21,817
Obligations related to securities sold under repurchase agreements and securities loaned	16,233	5,445	1,567	3,406	–	22	–	–	6,800	33,473
Derivative financial instruments	2,584	2,302	1,640	1,009	595	2,047	3,570	5,885	–	19,632
Liabilities related to transferred receivables(4)	–	2,672	422	1,329	2,288	4,558	9,612	5,396	–	26,277
Securitization – Credit card(5)	–	–	–	29	–	–	49	–	–	78
Lease liabilities(5)	8	16	23	23	24	87	219	152	–	552
Other liabilities – Other items(1)(5)	1,076	46	99	23	39	27	42	92	4,287	5,731
	26,296	11,429	4,405	5,893	3,866	8,234	17,440	17,911	18,627	114,101
Subordinated debt	–	–	–	–	–	–	–	1,499	–	1,499
Equity									21,746	21,746
	65,366	25,151	18,058	16,903	13,765	20,640	39,048	27,925	176,884	403,740
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	180	1,451	1,338	982	1,398	1,292	138	–	–	6,779
Credit card receivables(6)									9,337	9,337
Backstop liquidity and credit enhancement facilities(7)	–	15	5,552	15	–	–	–	–	3,125	8,707
Commitments to extend credit(8)	3,126	9,205	6,179	6,678	3,270	4,066	3,186	39	46,368	82,117
Obligations related to:										
Lease commitments(9)	1	1	2	2	2	6	9	8	–	31
Other contracts(10)	38	42	47	46	47	21	34	–	102	377

(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 $5.6 billion.
(8) These amounts include $44.8 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 $0.2 billion in contractual commitments related to the head office building under construction.

Regulatory Compliance Risk

The reform of interest rate benchmarks is a global initiative that is being coordinated and led by central banks, industries, and governments around the world, including Canada. The objective is to improve benchmarks by ensuring that they meet robust international standards. LIBOR (London Interbank Offered Rates) in particular is in the process of being discontinued, and risk-free rates such as SOFR (Secured Overnight Financing Rate), ESTR (Euro Short-Term Rate), SONIA (Sterling Overnight Index Average), SARON (Swiss Average Rate Overnight), and TONAR (Tokyo Overnight Average Rate) are recommended as replacements for LIBOR. On December 31, 2021, all LIBOR rates in European, British, Swiss, and Japanese currency as well as the one-week and two-month USD LIBOR rates were discontinued, whereas the other USD LIBOR rates will be discontinued after June 30, 2023. In Canada, publication of the CDOR (Canadian Dollar Offered Rate) will be discontinued on June 28, 2024 and be replaced by the risk-free rate CORRA (Canadian Overnight Repo Rate Average). On January 11, 2023, the Canadian Alternative Reference Rate Working Group (the CARR Working Group) published a notice to the markets announcing some key developments surrounding the arrival of a term CORRA rate, which should be available by September 30, 2023. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.

Risk Disclosures

One of the purposes of the *2022 Annual Report,* the *Report to Shareholders – First Quarter 2023,* 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
		2022 Annual Report	Report to Shareholders(1)	Supplementary Regulatory Capital and Pillar 3 Disclosure(1)
General				
1	Location of risk disclosures	13	42	
	Management's Discussion and Analysis	55 to 105, 117 and 119 to 121	20 to 41	
	Consolidated Financial Statements	Notes 1, 7, 16, 20, 23 and 29	Notes 5 and 10	
	Supplementary Financial Information			19 to 29(2)
	Supplementary Regulatory Capital and Pillar 3 Disclosure			5 to 48
2	Risk terminology and risk measures	65 to 105		
3	Top and emerging risks	26 and 70 to 75	10, 27 and 41	
4	New key regulatory ratios	56 to 59, 91 and 95 to 98	20, 21, 32 and 34 to 37	
Risk governance and risk management				
5	Risk management organization, processes and key functions	65 to 85, 91 to 93 and 98		
6	Risk management culture	65 and 66		
7	Key risks by business segment, risk management and risk appetite	64 to 66 and 70		
8	Stress testing	55, 66, 79, 89, 90 and 93		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	56 to 59	20 to 22	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 13, 16 and 17
11	Movements in regulatory capital	62	23	
12	Capital planning	55 to 64		
13	RWA by business segment and by risk type	64		6
14	Capital requirements by risk and the RWA calculation method	75 to 79		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	63	24	6
17	Assessment of credit risk model performance	69, 76 to 79 and 84		31
Liquidity				
18	Liquidity management and components of the liquidity buffer	91 to 98	32 to 37	
Funding				
19	Summary of encumbered and unencumbered assets	94 and 95	34	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	222 to 226	38 to 41	
21	Funding strategy and funding sources	98 to 100	37	
Market risk				
22	Linkage of market risk measures to balance sheet	86 and 87	29 and 30	
23	Market risk factors	84 to 90, 210 and 211	29 to 32	
24	VaR: Assumptions, limitations and validation procedures	88		
25	Stress tests, stressed VaR and backtesting	84 to 90		
Credit risk				
26	Credit risk exposures	83 and 171 to 182	28 and 64 to 72	18 to 40 and 19 to 27(2)
27	Policies for identifying impaired loans	80, 81, 145 and 146		
28	Movements in impaired loans and allowances for credit losses	117, 120, 121 and 171 to 182	64 to 72	24 to 27(2)
29	Counterparty credit risk relating to derivative transactions	80 to 82 and 190 to 193		33 to 40, 28(2) and 29(2)
30	Credit risk mitigation	78 to 81 and 168		20, 24 and 38 to 48
Other risks				
31	Other risks: Governance, measurement and management	73 to 75, 78 and 100 to 105		
32	Publicly known risk events	26, 100 and 101	10, 27 and 41	

(1) First quarter 2023.
(2) These pages are included in the document entitled *Supplementary Financial Information – First Quarter 2023*.

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 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, 2023 were prepared in accordance with IAS 34 – *Interim Financial Reporting* using the same accounting policies as those described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.

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 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 106 to 111 of the *2022 Annual Report*.

The geopolitical landscape, rising inflation, interest rate hikes and the Russia-Ukraine war, are persisting and continue to create uncertainty. As a result, establishing 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, 2022 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 the 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.

Financial Disclosure

During the first quarter of 2023, 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)	2023				2022[1]			2021[1]	2022	2021[1]
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Total	Total
Total revenues	**2,582**	2,334	2,413	2,439	2,466	2,211	2,254	2,238	9,652	8,927
Net income	**881**	738	826	889	930	769	833	788	3,383	3,140
Earnings per share ($)										
Basic	**2.51**	2.10	2.38	2.56	2.67	2.20	2.38	2.24	9.72	8.95
Diluted	**2.49**	2.08	2.35	2.53	2.64	2.17	2.35	2.21	9.61	8.85
Dividends per common share ($)	**0.97**	0.92	0.92	0.87	0.87	0.71	0.71	0.71	3.58	2.84
Return on common shareholders' equity (%)[2]	**17.9**	15.3	17.9	20.7	21.9	18.7	21.4	21.8	18.8	20.7
Total assets	**418,342**	403,740	386,833	369,570	366,680	355,621	353,873	350,581		
Net impaired loans excluding POCI loans[2]	**476**	479	301	293	287	283	312	349		
Per common share ($)										
Book value[2]	**55.92**	55.24	54.29	52.28	49.71	47.44	45.51	43.11		
Share price										
High	**99.95**	94.37	97.87	104.59	105.44	104.32	96.97	89.42		
Low	**91.02**	83.12	83.33	89.33	94.37	95.00	89.47	72.30		

(1) For the fiscal 2022 and 2021 comparatives figures, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.
(2) See the Glossary section on pages 45 to 48 for details on the composition of these measures.

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 on behalf of the clients who own the assets. Such services include custodial services, collection of investment income, settlement of purchase and sale transactions, and record-keeping. Assets under administration 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.

Available TLAC
Available TLAC includes total capital as well as certain senior unsecured debt subject to the federal government's bail-in regulations that satisfy all of the eligibility criteria in OSFI's *Total Loss Absorbing Capacity (TLAC) Guideline*.

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 customers' liability under acceptances and other assets. The average is calculated based on the daily balances for the period.

Average interest-bearing assets, non-trading
Average interest-bearing assets, non-trading, include interest-bearing deposits with financial institutions and certain cash items, securities purchased under reverse repurchase agreements and securities borrowed, and loans, while excluding other assets and assets related to trading activities. 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 is calculated by dividing net income attributable to common shareholders by the weighted average basic number of common shares outstanding.

Basis point (bps)
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 total CET1 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 price 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 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.

Dividend payout ratio
The dividend payout ratio represents the dividends of common shares (per share amount) expressed as a percentage of 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
The efficiency ratio represents non-interest expenses expressed as a percentage of total revenues. It measures the efficiency of the Bank's operations.

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.

Gross impaired loans excluding POCI loans
Gross impaired loans excluding POCI loans are all loans classified in Stage 3 of the expected credit loss model excluding POCI loans.

Gross impaired loans excluding POCI loans as a percentage of total loans and acceptances
This measure represents gross impaired loans excluding POCI 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 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 gross impaired loans 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 impaired loans excluding POCI loans
Net impaired loans excluding POCI loans are gross impaired loans excluding POCI loans presented net of allowances for credit losses on amounts drawn on Stage 3 loans granted by the Bank.

Net interest income from trading activities
Net interest income from trading activities 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.

Net interest income, non-trading
Net interest income, non-trading, comprises revenues related to financial assets and liabilities associated with non-trading activities, net of interest expenses and interest income related to the financing of these financial assets and liabilities.

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 the 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.

Non-interest income related to trading activities
Non-interest income related to trading activities 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.

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 is the difference between the growth rate for total revenues and the growth rate for non-interest expenses.

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

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

Provisions for credit losses on impaired loans excluding POCI loans as a percentage of average loans and acceptances or provisions for credit losses on impaired loans excluding POCI loans ratio
This measure represents the provisions for credit losses on impaired loans excluding POCI 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)
ROE represents net income attributable to common shareholders expressed as a percentage of average equity attributable to common shareholders. It is a general measure of the Bank's efficiency in using equity.

Risk-weighted assets
Assets are risk weighted according to the guidelines established by OSFI. In the Standardized calculation approach, risk factors are applied to the face value of certain assets in order to reflect comparable risk levels. In 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 incurs. 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
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.

TLAC leverage ratio
The TLAC leverage ratio is an independent risk measure that is calculated by dividing available TLAC by total exposure, as set out in OSFI's *Total Loss Absorbing Capacity (TLAC) Guideline.*

TLAC ratio
The TLAC ratio is a measure used to assess whether a non-viable Domestic Systemically Important Bank (D-SIB) has sufficient loss-absorbing capacity to support its recapitalization. It is calculated by dividing available TLAC by risk weighted assets, as set out in OSFI's *Total Loss Absorbing Capacity (TLAC) Guideline*.

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. The 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 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.

Value-at-Risk (VaR)
VaR is a statistical measure of risk that is used to quantify market risks across products, per 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, 2023	As at October 31, 2022
Assets		
Cash and deposits with financial institutions	42,286	31,870
Securities (Notes 2, 3 and 4)		
At fair value through profit or loss	89,835	87,375
At fair value through other comprehensive income	10,079	8,828
At amortized cost	14,025	13,516
	113,939	109,719
Securities purchased under reverse repurchase agreements and securities borrowed	26,430	26,486
Loans (Note 5)		
Residential mortgage	82,104	80,129
Personal	45,067	45,323
Credit card	2,296	2,389
Business and government	75,154	73,317
	204,621	201,158
Customers' liability under acceptances	6,765	6,541
Allowances for credit losses	(1,007)	(955)
	210,379	206,744
Other		
Derivative financial instruments	14,060	18,547
Investments in associates and joint ventures	142	140
Premises and equipment	1,451	1,397
Goodwill	1,515	1,519
Intangible assets	1,341	1,360
Other assets (Note 6)	6,799	5,958
	25,308	28,921
	418,342	403,740
Liabilities and equity		
Deposits (Notes 3 and 7)	282,505	266,394
Other		
Acceptances	6,765	6,541
Obligations related to securities sold short	19,778	21,817
Obligations related to securities sold under repurchase agreements and securities loaned	37,635	33,473
Derivative financial instruments	17,170	19,632
Liabilities related to transferred receivables (Note 3)	24,832	26,277
Other liabilities (Note 8)	6,145	6,361
	112,325	114,101
Subordinated debt (Note 16)	1,497	1,499
Equity		
Equity attributable to the Bank's shareholders and holders of other equity instruments (Notes 9 and 11)		
Preferred shares and other equity instruments	3,150	3,150
Common shares	3,236	3,196
Contributed surplus	55	56
Retained earnings	15,470	15,140
Accumulated other comprehensive income	102	202
	22,013	21,744
Non-controlling interests	2	2
	22,015	21,746
	418,342	403,740

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	
	2023	2022[1]
Interest income		
Loans	2,903	1,422
Securities at fair value through profit or loss	425	366
Securities at fair value through other comprehensive income	59	31
Securities at amortized cost	112	46
Deposits with financial institutions	372	23
	3,871	1,888
Interest expense		
Deposits	2,096	400
Liabilities related to transferred receivables	142	101
Subordinated debt	15	4
Other	519	51
	2,772	556
Net interest income[2]	1,099	1,332
Non-interest income		
Underwriting and advisory fees	107	78
Securities brokerage commissions	47	57
Mutual fund revenues	143	156
Investment management and trust service fees	242	256
Credit fees	137	125
Card revenues	46	47
Deposit and payment service charges	73	71
Trading revenues (losses)	531	122
Gains (losses) on non-trading securities, net	11	54
Insurance revenues, net	38	47
Foreign exchange revenues, other than trading	56	52
Share in the net income of associates and joint ventures	3	5
Other	49	64
	1,483	1,134
Total revenues	2,582	2,466
Non-interest expenses		
Compensation and employee benefits	875	817
Occupancy	83	76
Technology	252	231
Communications	14	14
Professional fees	63	63
Other	116	79
	1,403	1,280
Income before provisions for credit losses and income taxes	1,179	1,186
Provisions for credit losses (Note 5)	86	(2)
Income before income taxes	1,093	1,188
Income taxes	212	258
Net income	881	930
Net income attributable to		
Preferred shareholders and holders of other equity instruments	35	26
Common shareholders	846	904
Bank shareholders and holders of other equity instruments	881	930
Non-controlling interests	–	–
	881	930
Earnings per share *(dollars)* (Note 14)		
Basic	2.51	2.67
Diluted	2.49	2.64
Dividends per common share *(dollars)* (Note 9)	0.97	0.87

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

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1.
(2) *Net interest income* includes dividend income. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2023	2022[1]
Net income	881	930
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	(140)	116
Impact of hedging net foreign currency translation gains (losses)	40	(34)
	(100)	82
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	12	(64)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	4	21
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	(1)	–
	15	(43)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	(25)	6
Net (gains) losses on designated derivative financial instruments reclassified to net income	9	10
	(16)	16
Share in the other comprehensive income of associates and joint ventures	1	–
Items that will not be subsequently reclassified to net income		
Remeasurements of pension plans and other post-employment benefit plans	(59)	96
Net gains (losses) on equity securities designated at fair value through other comprehensive income	10	6
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(139)	21
	(188)	123
Total other comprehensive income, net of income taxes	(288)	178
Comprehensive income	593	1,108
Comprehensive income attributable to		
Bank shareholders and holders of other equity instruments	593	1,108
Non-controlling interests	–	–
	593	1,108

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

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1.

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	
	2023	2022
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**	(5)
Impact of hedging net foreign currency translation gains (losses)	**8**	(7)
	13	(12)
Net change in debt securities at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**4**	(23)
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**2**	8
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**–**	–
	6	(15)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(10)**	2
Net (gains) losses on designated derivative financial instruments reclassified to net income	**4**	3
	(6)	5
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	**(13)**	35
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**3**	2
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(53)**	8
	(63)	45
	(50)	23

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	
	2023	2022[1]
Preferred shares and other equity instruments at beginning and at end (Note 9)	3,150	2,650
Common shares at beginning (Note 9)	3,196	3,160
Issuances of common shares pursuant to the Stock Option Plan	34	42
Repurchases of common shares for cancellation	–	(5)
Impact of shares purchased or sold for trading	6	11
Common shares at end	3,236	3,208
Contributed surplus at beginning	56	47
Stock option expense (Note 11)	5	4
Stock options exercised	(4)	(5)
Other	(2)	–
Contributed surplus at end	55	46
Retained earnings at beginning	15,140	12,854
Net income attributable to the Bank's shareholders and holders of other equity instruments	881	930
Dividends on preferred shares and distributions on other equity instruments (Note 9)	(40)	(28)
Dividends on common shares (Note 9)	(327)	(294)
Premium paid on common shares repurchased for cancellation (Note 9)	–	(43)
Remeasurements of pension plans and other post-employment benefit plans	(59)	96
Net gains (losses) on equity securities designated at fair value through other comprehensive income	10	6
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(139)	21
Impact of a financial liability resulting from put options written to non-controlling interests	(1)	(1)
Other	5	2
Retained earnings at end	15,470	13,543
Accumulated other comprehensive income at beginning	202	(32)
Net foreign currency translation adjustments	(100)	82
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	15	(43)
Net change in gains (losses) on cash flow hedges	(16)	16
Share in the other comprehensive income of associates and joint ventures	1	–
Accumulated other comprehensive income at end	102	23
Equity attributable to the Bank's shareholders and holders of other equity instruments	22,013	19,470
Non-controlling interests at beginning	2	3
Net income attributable to non-controlling interests	–	–
Non-controlling interests at end	2	3
Equity	22,015	19,473

Accumulated Other Comprehensive Income

	As at January 31, 2023	As at January 31, 2022
Accumulated other comprehensive income		
Net foreign currency translation adjustments	104	(47)
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	(19)	28
Net gains (losses) on instruments designated as cash flow hedges	15	39
Share in the other comprehensive income of associates and joint ventures	2	3
	102	23

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

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1.

Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)

	Quarter ended January 31	
	2023	2022[1]
Cash flows from operating activities		
Net income	881	930
Adjustments for		
Provisions for credit losses	86	(2)
Amortization of premises and equipment, including right-of-use assets	52	51
Amortization of intangible assets	79	70
Deferred taxes	(30)	77
Losses (gains) on sales of non-trading securities, net	(11)	(54)
Share in the net income of associates and joint ventures	(3)	(5)
Stock option expense	5	4
Change in operating assets and liabilities		
Securities at fair value through profit or loss	(2,460)	7,122
Securities purchased under reverse repurchase agreements and securities borrowed	56	(7,662)
Loans and acceptances, net of securitization	(4,935)	(5,493)
Deposits	16,111	6,157
Obligations related to securities sold short	(2,039)	263
Obligations related to securities sold under repurchase agreements and securities loaned	4,162	8,011
Derivative financial instruments, net	2,025	(2,406)
Interest and dividends receivable and interest payable	(48)	(6)
Current tax assets and liabilities	(148)	(437)
Other items	(1,111)	(1,498)
	12,672	5,122
Cash flows from financing activities		
Issuances of common shares (including the impact of shares purchased for trading)	36	48
Repurchases of common shares for cancellation	–	(48)
Repayments of lease liabilities	(25)	(25)
Dividends paid on shares and distributions on other equity instruments	(364)	(29)
	(353)	(54)
Cash flows from investing activities		
Net change in investments in associates and joint ventures	–	60
Purchases of non-trading securities	(2,785)	(1,920)
Maturities of non-trading securities	691	428
Sales of non-trading securities	390	2,007
Net change in premises and equipment, excluding right-of-use assets	(89)	(75)
Net change in intangible assets	(60)	(80)
	(1,853)	420
Impact of currency rate movements on cash and cash equivalents	(50)	696
Increase (decrease) in cash and cash equivalents	10,416	6,184
Cash and cash equivalents at beginning	31,870	33,879
Cash and cash equivalents at end[2]	42,286	40,063
Supplementary information about cash flows from operating activities		
Interest paid	2,445	594
Interest and dividends received	3,496	1,921
Income taxes paid	218	559

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

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1.

(2) This item is the equivalent of Consolidated Balance Sheet item *Cash and deposits with financial institutions*. It includes an amount of $9.0 billion as at January 31, 2023 ($7.7 billion as at October 31, 2022) for which there are restrictions and of which $6.0 billion ($5.3 billion as at October 31, 2022) 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 28, 2023, 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, 2023.

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, 2022. Since these interim consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2022. 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, 2022.

Certain comparative amounts have been adjusted to reflect an accounting policy change related to cloud computing arrangements, as described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2022.

Judgment, Estimates and Assumptions

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment and make estimates and assumptions that affect the reporting date carrying amounts of assets and liabilities, net income, and related information. Some of the 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, 2022 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 the carrying values and fair values of assets and liabilities.

The geopolitical landscape, rising inflation, interest rate hikes, and the Russia-Ukraine war are persisting and continue to create uncertainty. As a result, establishing reliable estimates and applying judgment continue to be substantially complex. The uncertainty regarding certain key inputs used in measuring ECLs is described in Note 5 to these unaudited interim condensed consolidated financial statements.

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

(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, 2023
				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	–	–	–	–	42,286	42,286	42,286	42,286
Securities	88,943	892	9,506	573	14,025	13,634	113,939	113,548
Securities purchased under reverse repurchase agreements and securities borrowed	–	39	–	–	26,391	26,391	26,430	26,430
Loans and acceptances, net of allowances	11,258	–	–	–	199,121	196,000	210,379	207,258
Other								
Derivative financial instruments	14,060	–	–	–	–	–	14,060	14,060
Other assets	83	–	–	–	3,756	3,756	3,839	3,839
Financial liabilities								
Deposits(1)	–	17,632			264,873	264,051	282,505	281,683
Other								
Acceptances	–	–			6,765	6,765	6,765	6,765
Obligations related to securities sold short	19,778	–			–	–	19,778	19,778
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			37,635	37,635	37,635	37,635
Derivative financial instruments	17,170	–			–	–	17,170	17,170
Liabilities related to transferred receivables	–	9,608			15,224	14,633	24,832	24,241
Other liabilities	–	–			2,788	2,784	2,788	2,784
Subordinated debt	–	–			1,497	1,510	1,497	1,510

(1) Includes embedded derivative financial instruments.

(unaudited) (millions of Canadian dollars)

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

As at October 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	–	–	–	–	31,870	31,870	31,870	31,870
Securities	86,338	1,037	8,272	556	13,516	13,007	109,719	109,210
Securities purchased under reverse repurchase agreements and securities borrowed	–	–	–	–	26,486	26,486	26,486	26,486
Loans and acceptances, net of allowances	10,516	–	–	–	196,228	190,955	206,744	201,471
Other								
Derivative financial instruments	18,547	–	–	–	–	–	18,547	18,547
Other assets	87	–	–	–	3,221	3,221	3,308	3,308
Financial liabilities								
Deposits(1)	–	15,355			251,039	249,937	266,394	265,292
Other								
Acceptances	–	–			6,541	6,541	6,541	6,541
Obligations related to securities sold short	21,817	–			–	–	21,817	21,817
Obligations related to securities sold under repurchase agreements and securities loaned	–	–			33,473	33,473	33,473	33,473
Derivative financial instruments	19,632	–			–	–	19,632	19,632
Liabilities related to transferred receivables	–	11,352			14,925	14,137	26,277	25,489
Other liabilities	–	–			2,632	2,627	2,632	2,627
Subordinated debt	–	–			1,499	1,478	1,499	1,478

(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 valuations were based on its assessment of the conditions prevailing as at January 31, 2023 and may change in the future. Furthermore, there may be measurement 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, 2022. 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)

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 in an active market 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, 2022.

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, 2023, $6 million in securities classified as at fair value through profit or loss were transferred from Level 2 to Level 1 as a result of changing market conditions ($15 million in securities classified as at fair value through profit or loss during the quarter ended January 31, 2022). Also, during the quarter ended January 31, 2023, $4 million in securities classified as at fair value through profit or loss and $2 million in obligations related to securities sold short were transferred from Level 1 to Level 2 as a result of changing market conditions ($2 million in securities classified as at fair value through profit or loss and $1 million in obligations related to securities sold short during the quarter ended January 31, 2022). During the quarters ended January 31, 2023 and 2022, financial instruments were transferred to (or from) Level 3 due to changes in the availability of observable market inputs as a result of 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, 2023
	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	4,474	9,326	–	13,800
Canadian provincial and municipal governments	–	9,599	–	9,599
U.S. Treasury, other U.S. agencies and other foreign governments	7,420	3,515	–	10,935
Other debt securities	–	3,690	67	3,757
Equity securities	50,817	512	415	51,744
	62,711	26,642	482	89,835
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	13	3,817	–	3,830
Canadian provincial and municipal governments	–	2,278	–	2,278
U.S. Treasury, other U.S. agencies and other foreign governments	1,650	212	–	1,862
Other debt securities	–	1,536	–	1,536
Equity securities	–	247	326	573
	1,663	8,090	326	10,079
Securities purchased under reverse repurchase agreements and securities borrowed	–	39	–	39
Loans	–	11,016	242	11,258
Other				
Derivative financial instruments	63	13,981	16	14,060
Other assets – Other items	–	–	83	83
	64,437	59,768	1,149	125,354
Financial liabilities				
Deposits(1)	–	17,798	1	17,799
Other				
Obligations related to securities sold short	14,563	5,215	–	19,778
Derivative financial instruments	245	16,905	20	17,170
Liabilities related to transferred receivables	–	9,608	–	9,608
	14,808	49,526	21	64,355

(1) The amounts include the fair value of embedded derivative financial instruments in deposits.

(unaudited) (millions of Canadian dollars)

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

				As at October 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	4,736	8,186	–	12,922
Canadian provincial and municipal governments	–	9,260	–	9,260
U.S. Treasury, other U.S. agencies and other foreign governments	10,639	4,445	–	15,084
Other debt securities	–	3,324	60	3,384
Equity securities	45,805	504	416	46,725
	61,180	25,719	476	87,375
At fair value through other comprehensive income				
Securities issued or guaranteed by				
Canadian government	21	3,191	–	3,212
Canadian provincial and municipal governments	–	1,970	–	1,970
U.S. Treasury, other U.S. agencies and other foreign governments	1,687	191	–	1,878
Other debt securities	–	1,212	–	1,212
Equity securities	–	236	320	556
	1,708	6,800	320	8,828
Loans	–	10,272	244	10,516
Other				
Derivative financial instruments	342	18,204	1	18,547
Other assets – Other items	–	–	87	87
	63,230	60,995	1,128	125,353
Financial liabilities				
Deposits(1)	–	15,424	8	15,432
Other				
Obligations related to securities sold short	15,213	6,604	–	21,817
Derivative financial instruments	625	18,989	18	19,632
Liabilities related to transferred receivables	–	11,352	–	11,352
	15,838	52,369	26	68,233

(1) The amounts include the fair value of embedded derivative financial instruments in deposits.

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, 2022. For the quarter ended January 31, 2023, 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 Level 3 financial instruments, 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, 2022. For the quarter ended January 31, 2023, there were no significant changes in the sensitivity analyses of Level 3 financial instruments.

(unaudited) (millions of Canadian dollars)

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

The Bank may hedge the fair value of financial instruments classified in the various levels through offsetting hedge positions. Gains and losses 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 Level 1 or Level 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, 2023
	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, 2022	476	320	331	(17)	(8)
Total realized and unrealized gains (losses) included in *Net income*(3)	(7)	–	4	6	–
Total realized and unrealized gains (losses) included in *Other comprehensive income*	–	6	–	–	–
Purchases	15	–	–	–	–
Sales	(2)	–	–	–	–
Issuances	–	–	7	–	–
Settlements and other	–	–	(17)	4	–
Financial instruments transferred into Level 3	–	–	–	–	
Financial instruments transferred out of Level 3	–	–	–	3	7
Fair value as at January 31, 2023	482	326	325	(4)	(1)
Change in unrealized gains and losses included in *Net income* with respect to financial assets and financial liabilities held as at January 31, 2023(4)	(7)	–	4	6	–

					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
Fair value as at October 31, 2021	471	306	297	2	–
Total realized and unrealized gains (losses) included in *Net income*(5)	(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(6)	(17)	–	(4)	(1)	–

(1) The derivative financial instruments include assets and liabilities presented on a net basis.
(2) The amounts include the fair value of embedded derivative financial instruments in deposits.
(3) Total gains (losses) included in *Non-interest income* was a gain of $3 million.
(4) Total unrealized gains (losses) included in *Non-interest income* was an unrealized gain of $3 million.
(5) Total gains (losses) included in *Non-interest income* was a loss of $19 million.
(6) Total unrealized gains (losses) included in *Non-interest income* was an unrealized loss of $22 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, 2022. 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 certain securities, certain securities purchased under reverse repurchase agreements, and certain liabilities related to transferred receivables at fair value through profit or loss. 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, an observed discount rate for similar securities that reflects the Bank's credit spread and, then, 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, 2023	**Unrealized gains (losses) for the quarter ended January 31, 2023**	**Unrealized gains (losses) since the initial recognition of the instrument**
Financial assets designated at fair value through profit or loss			
Securities	**892**	**9**	**2**
Securities purchased under reverse repurchase agreements	**39**	**–**	**–**
	931	**9**	**2**
Financial liabilities designated at fair value through profit or loss			
Deposits(1)(2)	**17,632**	**(1,188)**	**1,899**
Liabilities related to transferred receivables	**9,608**	**(146)**	**424**
	27,240	**(1,334)**	**2,323**

	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

(1) For the quarter ended January 31, 2023, the change in the fair value of deposits designated at fair value through profit or loss attributable to credit risk, and recorded in *Other comprehensive income,* resulted in a loss of $192 million ($29 million gain for the quarter ended January 31, 2022).
(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, 2023 and as at October 31, 2022, securities at fair value through other comprehensive income and securities at amortized cost were mainly 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.

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

				As at January 31, 2023
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value[1]
Securities issued or guaranteed by				
Canadian government	3,979	1	(150)	3,830
Canadian provincial and municipal governments	2,380	13	(115)	2,278
U.S. Treasury, other U.S. agencies and other foreign governments	1,952	1	(91)	1,862
Other debt securities	1,633	2	(99)	1,536
Equity securities	569	22	(18)	573
	10,513	39	(473)	10,079

				As at October 31, 2022
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value[1]
Securities issued or guaranteed by				
Canadian government	3,386	1	(175)	3,212
Canadian provincial and municipal governments	2,129	1	(160)	1,970
U.S. Treasury, other U.S. agencies and other foreign governments	2,022	–	(144)	1,878
Other debt securities	1,355	–	(143)	1,212
Equity securities	570	21	(35)	556
	9,462	23	(657)	8,828

(1) The allowances for credit losses on securities at fair value through other comprehensive income (excluding the equity securities), representing $1 million as at January 31, 2023 ($2 million as at October 31, 2022), 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, 2023, a dividend income amount of $7 million was recognized for these investments ($5 million for the quarter ended January 31, 2022), including negligible amounts for investments that were sold during the quarters ended January 31, 2023 and 2022.

			Quarter ended January 31, 2023			Quarter ended January 31, 2022
	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	320	236	556	306	311	617
Change in fair value	6	7	13	11	(3)	8
Designated at fair value through other comprehensive income	–	25	25	7	10	17
Sales[1]	–	(21)	(21)	–	(36)	(36)
Fair value at end	326	247	573	324	282	606

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

(unaudited) (millions of Canadian dollars)

Note 4 – Securities (cont.)

Securities at Amortized Cost

	As at January 31, 2023	As at October 31, 2022
Securities issued or guaranteed by		
Canadian government	**5,913**	5,737
Canadian provincial and municipal governments	**1,908**	1,826
U.S. Treasury, other U.S. agencies and other foreign governments	**149**	150
Other debt securities	**6,063**	5,810
Gross carrying value	**14,033**	13,523
Allowances for credit losses	**8**	7
Carrying value	**14,025**	13,516

Gains (Losses) on Disposals of Securities at Amortized Cost

During the quarter ended January 31, 2023, the Bank did not dispose of any securities measured at amortized cost. During the quarter ended January 31, 2022, the Bank sold certain debt securities measured at amortized cost. The carrying value of these securities upon disposal was $66 million, and the Bank recognized gains of $1 million 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.

Non-Impaired Loans
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.

Impaired Loans
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, 2022.

Credit Quality of Loans

The following tables present the gross carrying amounts of loans as at January 31, 2023 and as at October 31, 2022, 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 78 in the Credit Risk section of the *2022 Annual Report*.

(unaudited) (millions of Canadian dollars)

						As at January 31, 2023
	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	30,177	1	–	–	–	30,178
Good	16,435	103	–	–	–	16,538
Satisfactory	10,275	3,868	–	–	–	14,143
Special mention	373	693	–	–	–	1,066
Substandard	57	180	–	–	–	237
Default	–	–	55	–	–	55
AIRB approach	57,317	4,845	55	–	–	62,217
Standardized approach	8,227	204	199	351	10,906	19,887
Gross carrying amount	65,544	5,049	254	351	10,906	82,104
Allowances for credit losses[2]	62	84	60	(71)	–	135
Carrying amount	65,482	4,965	194	422	10,906	81,969
Personal						
Excellent	22,307	15	–	–	–	22,322
Good	8,348	549	–	–	–	8,897
Satisfactory	5,328	1,584	–	–	–	6,912
Special mention	1,857	795	–	–	–	2,652
Substandard	32	231	–	–	–	263
Default	–	–	139	–	–	139
AIRB approach	37,872	3,174	139	–	–	41,185
Standardized approach	3,700	78	41	63	–	3,882
Gross carrying amount	41,572	3,252	180	63	–	45,067
Allowances for credit losses[2]	72	117	79	(11)	–	257
Carrying amount	41,500	3,135	101	74	–	44,810
Credit card						
Excellent	517	–	–	–	–	517
Good	329	–	–	–	–	329
Satisfactory	694	55	–	–	–	749
Special mention	286	186	–	–	–	472
Substandard	37	74	–	–	–	111
Default	–	–	–	–	–	–
AIRB approach	1,863	315	–	–	–	2,178
Standardized approach	118	–	–	–	–	118
Gross carrying amount	1,981	315	–	–	–	2,296
Allowances for credit losses[2]	37	99	–	–	–	136
Carrying amount	1,944	216	–	–	–	2,160
Business and government[3]						
Excellent	7,337	–	–	–	99	7,436
Good	27,595	83	–	–	53	27,731
Satisfactory	28,501	7,257	–	–	145	35,903
Special mention	134	1,577	–	–	–	1,711
Substandard	37	260	–	–	–	297
Default	–	–	339	–	–	339
AIRB approach	63,604	9,177	339	–	297	73,417
Standardized approach	8,395	32	20	–	55	8,502
Gross carrying amount	71,999	9,209	359	–	352	81,919
Allowances for credit losses[2]	134	167	178	–	–	479
Carrying amount	71,865	9,042	181	–	352	81,440
Total loans and acceptances						
Gross carrying amount	181,096	17,825	793	414	11,258	211,386
Allowances for credit losses[2]	305	467	317	(82)	–	1,007
Carrying amount	180,791	17,358	476	496	11,258	210,379

(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.)

As at October 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	30,465	–	–	–	–	30,465
Good	16,351	12	–	–	–	16,363
Satisfactory	10,765	3,269	–	–	–	14,034
Special mention	609	394	–	–	–	1,003
Substandard	76	140	–	–	–	216
Default	–	–	49	–	–	49
AIRB approach	58,266	3,815	49	–	–	62,130
Standardized approach	7,266	179	211	384	9,959	17,999
Gross carrying amount	65,532	3,994	260	384	9,959	80,129
Allowances for credit losses[2]	53	80	61	(76)	–	118
Carrying amount	65,479	3,914	199	460	9,959	80,011
Personal						
Excellent	22,190	22	–	–	–	22,212
Good	8,792	479	–	–	–	9,271
Satisfactory	6,928	1,394	–	–	–	8,322
Special mention	358	775	–	–	–	1,133
Substandard	26	203	–	–	–	229
Default	–	–	130	–	–	130
AIRB approach	38,294	2,873	130	–	–	41,297
Standardized approach	3,837	78	36	75	–	4,026
Gross carrying amount	42,131	2,951	166	75	–	45,323
Allowances for credit losses[2]	67	113	75	(16)	–	239
Carrying amount	42,064	2,838	91	91	–	45,084
Credit card						
Excellent	600	–	–	–	–	600
Good	359	–	–	–	–	359
Satisfactory	689	51	–	–	–	740
Special mention	287	178	–	–	–	465
Substandard	37	71	–	–	–	108
Default	–	–	–	–	–	–
AIRB approach	1,972	300	–	–	–	2,272
Standardized approach	117	–	–	–	–	117
Gross carrying amount	2,089	300	–	–	–	2,389
Allowances for credit losses[2]	31	95	–	–	–	126
Carrying amount	2,058	205	–	–	–	2,263
Business and government[3]						
Excellent	6,140	2	–	–	147	6,289
Good	27,607	112	–	–	53	27,772
Satisfactory	26,567	8,803	–	–	145	35,515
Special mention	75	1,172	–	–	–	1,247
Substandard	41	272	–	–	–	313
Default	–	–	367	–	–	367
AIRB approach	60,430	10,361	367	–	345	71,503
Standardized approach	8,096	28	19	–	212	8,355
Gross carrying amount	68,526	10,389	386	–	557	79,858
Allowances for credit losses[2]	115	160	197	–	–	472
Carrying amount	68,411	10,229	189	–	557	79,386
Total loans and acceptances						
Gross carrying amount	178,278	17,634	812	459	10,516	207,699
Allowances for credit losses[2]	266	448	333	(92)	–	955
Carrying amount	178,012	17,186	479	551	10,516	206,744

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

(unaudited) (millions of Canadian dollars)

The following table presents the credit risk exposures of off-balance-sheet commitments as at January 31, 2023 and as at October 31, 2022 according to credit quality and ECL impairment stage.

	As at January 31, 2023				As at October 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Off-balance-sheet commitments[1]								
Retail								
Excellent	15,633	8	–	15,641	15,292	13	–	15,305
Good	3,381	191	–	3,572	3,316	165	–	3,481
Satisfactory	1,219	201	–	1,420	1,170	180	–	1,350
Special mention	209	75	–	284	193	68	–	261
Substandard	17	16	–	33	15	15	–	30
Default	–	–	1	1	–	–	1	1
Non-retail								
Excellent	14,411	–	–	14,411	13,136	–	–	13,136
Good	18,954	11	–	18,965	18,723	24	–	18,747
Satisfactory	9,551	3,689	–	13,240	7,894	3,488	–	11,382
Special mention	12	320	–	332	12	246	–	258
Substandard	4	18	–	22	4	24	–	28
Default	–	–	11	11	–	–	18	18
AIRB approach	63,391	4,529	12	67,932	59,755	4,223	19	63,997
Standardized approach	15,466	–	–	15,466	15,432	–	–	15,432
Total exposure	78,857	4,529	12	83,398	75,187	4,223	19	79,429
Allowances for credit losses	100	60	1	161	99	63	–	162
Total exposure, net of allowances	78,757	4,469	11	83,237	75,088	4,160	19	79,267

(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, 2023				As at October 31, 2022			
	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	102	104	21	25	106	105	23	23
61 to 90 days	51	36	12	16	38	30	11	9
Over 90 days[3]	–	–	25	–	–	–	22	–
	153	140	58	41	144	135	56	32

(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, 2023			As at October 31, 2022		
	Gross	Allowances for credit losses	Net	Gross	Allowances for credit losses	Net
Loans – Stage 3						
Residential mortgage	254	60	194	260	61	199
Personal	180	79	101	166	75	91
Credit card[1]	–	–	–	–	–	–
Business and government[2]	359	178	181	386	197	189
	793	317	476	812	333	479
Loans – POCI	414	(82)	496	459	(92)	551
	1,207	235	972	1,271	241	1,030

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

(unaudited) (millions of Canadian dollars)

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

Allowances for Credit Losses

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

						Quarter ended January 31, 2023
	Allowances for credit losses as at October 31, 2022	**Provisions for credit losses**	**Write-offs(1)**	**Disposals**	**Recoveries and other**	**Allowances for credit losses as at January 31, 2023**
Balance sheet						
Cash and deposits with financial institutions(2)(3)	**5**	**–**	**–**	**–**	**–**	**5**
Securities(3)						
At fair value through other comprehensive income(4)	**2**	**(1)**	**–**	**–**	**–**	**1**
At amortized cost(2)	**7**	**1**	**–**	**–**	**–**	**8**
Securities purchased under reverse repurchase agreements and securities borrowed(2)(3)	**–**	**–**	**–**	**–**	**–**	**–**
Loans(5)						
Residential mortgage	**118**	**19**	**(1)**	**–**	**(1)**	**135**
Personal	**239**	**31**	**(16)**	**–**	**3**	**257**
Credit card	**126**	**25**	**(18)**	**–**	**3**	**136**
Business and government	**418**	**19**	**(5)**	**–**	**–**	**432**
Customers' liability under acceptances	**54**	**(7)**	**–**	**–**	**–**	**47**
	955	**87**	**(40)**	**–**	**5**	**1,007**
Other assets(2)(3)	**–**	**–**	**–**	**–**	**–**	**–**
Off-balance-sheet commitments(6)						
Letters of guarantee and documentary letters of credit	**13**	**–**	**–**	**–**	**–**	**13**
Undrawn commitments	**143**	**(1)**	**–**	**–**	**–**	**142**
Backstop liquidity and credit enhancement facilities	**6**	**–**	**–**	**–**	**–**	**6**
	162	**(1)**	**–**	**–**	**–**	**161**
	1,131	**86**	**(40)**	**–**	**5**	**1,182**

						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

(1) The contractual amount outstanding on financial assets that were written off during the quarter ended January 31, 2023 and that are still subject to enforcement activity was $25 million ($22 million for the quarter ended January 31, 2022).
(2) These financial assets are presented net of the allowances for credit losses on the Consolidated Balance Sheet.
(3) As at January 31, 2023 and 2022, 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)

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, 2023					Quarter ended January 31, 2022				
	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	53	80	61	(76)	118	50	52	29	(60)	71
Originations or purchases	5	–	–	–	5	5	–	–	–	5
Transfers[2]:										
to Stage 1	8	(7)	(1)	–	–	3	(3)	–	–	–
to Stage 2	(3)	9	(6)	–	–	(1)	1	–	–	–
to Stage 3	–	(8)	8	–	–	–	–	–	–	–
Net remeasurement of loss allowances[3]	–	12	3	3	18	(18)	14	6	4	6
Derecognitions[4]	(1)	(1)	(2)	–	(4)	–	(1)	–	–	(1)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	9	5	2	3	19	(11)	11	6	4	10
Write-offs	–	–	(1)	–	(1)	–	–	(1)	–	(1)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	–	–	–
Foreign exchange movements and other	–	(1)	(2)	2	(1)	1	–	–	(1)	–
Balance at end	62	84	60	(71)	135	40	63	34	(57)	80
Includes:										
Amounts drawn	62	84	60	(71)	135	40	63	34	(57)	80
Undrawn commitments[5]	–	–	–	–	–	–	–	–	–	–
Personal										
Balance at beginning	70	117	75	(16)	246	73	103	63	(29)	210
Originations or purchases	10	–	–	–	10	12	–	–	–	12
Transfers[2]:										
to Stage 1	19	(17)	(2)	–	–	18	(16)	(2)	–	–
to Stage 2	(4)	4	–	–	–	(3)	3	–	–	–
to Stage 3	–	(12)	12	–	–	–	(6)	6	–	–
Net remeasurement of loss allowances[3]	(18)	33	7	5	27	(26)	23	3	4	4
Derecognitions[4]	(2)	(4)	(1)	–	(7)	(3)	(4)	(1)	–	(8)
Changes to models	1	–	–	–	1	(2)	8	–	–	6
Provisions for credit losses	6	4	16	5	31	(4)	8	6	4	14
Write-offs	–	–	(16)	–	(16)	–	–	(11)	–	(11)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	5	–	5	–	–	5	–	5
Foreign exchange movements and other	(1)	–	(1)	–	(2)	1	–	–	–	1
Balance at end	75	121	79	(11)	264	70	111	63	(25)	219
Includes:										
Amounts drawn	72	117	79	(11)	257	67	107	63	(25)	212
Undrawn commitments[5]	3	4	–	–	7	3	4	–	–	7

(1) No POCI loans were acquired during the quarter ended January 31, 2023 (the total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2022 was $5 million). 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)

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

	Quarter ended January 31, 2023					Quarter ended January 31, 2022				
	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	53	112	–	–	165	57	101	–	–	158
Originations or purchases	2	–	–	–	2	3	–	–	–	3
Transfers[2]:										
to Stage 1	25	(25)	–	–	–	22	(22)	–	–	–
to Stage 2	(4)	4	–	–	–	(5)	5	–	–	–
to Stage 3	–	(7)	7	–	–	–	(5)	5	–	–
Net remeasurement of loss allowances[3]	(16)	33	8	–	25	(21)	24	6	–	9
Derecognitions[4]	(1)	–	–	–	(1)	(1)	–	–	–	(1)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	6	5	15	–	26	(2)	2	11	–	11
Write-offs	–	–	(18)	–	(18)	–	–	(15)	–	(15)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	3	–	3	–	–	4	–	4
Foreign exchange movements and other	–	–	–	–	–	–	–	–	–	–
Balance at end	59	117	–	–	176	55	103	–	–	158
Includes:										
Amounts drawn	37	99	–	–	136	34	90	–	–	124
Undrawn commitments[5]	22	18	–	–	40	21	13	–	–	34
Business and government[6]										
Balance at beginning	177	195	197	–	569	177	238	287	–	702
Originations or purchases	24	–	–	–	24	22	–	–	–	22
Transfers[2]:										
to Stage 1	17	(17)	–	–	–	28	(28)	–	–	–
to Stage 2	(6)	8	(2)	–	–	(8)	9	(1)	–	–
to Stage 3	–	(1)	1	–	–	–	(1)	1	–	–
Net remeasurement of loss allowances[3]	(10)	21	(10)	–	1	(35)	(2)	1	–	(36)
Derecognitions[4]	(5)	(8)	(2)	–	(15)	(9)	(14)	–	–	(23)
Changes to models	–	–	–	–	–	–	–	–	–	–
Provisions for credit losses	20	3	(13)	–	10	(2)	(36)	1	–	(37)
Write-offs	–	–	(5)	–	(5)	–	–	(67)	–	(67)
Disposals	–	–	–	–	–	–	–	–	–	–
Recoveries	–	–	1	–	1	–	–	1	–	1
Foreign exchange movements and other	–	–	(1)	–	(1)	–	–	2	–	2
Balance at end	197	198	179	–	574	175	202	224	–	601
Includes:										
Amounts drawn	134	167	178	–	479	113	175	224	–	512
Undrawn commitments[5]	63	31	1	–	95	62	27	–	–	89
Total allowances for credit losses at end[7]	393	520	318	(82)	1,149	340	479	321	(82)	1,058
Includes:										
Amounts drawn	305	467	317	(82)	1,007	254	435	321	(82)	928
Undrawn commitments[5]	88	53	1	–	142	86	44	–	–	130

(1) No POCI loans were acquired during the quarter ended January 31, 2023 (the total amount of undiscounted initially expected credit losses on the POCI loans acquired during the quarter ended January 31, 2022 was $5 million). 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)

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, 2023
		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)	0.3 %	1.8 %	0.8 %	1.9 %	(5.1) %	2.6 %
Unemployment rate	5.8 %	6.2 %	5.5 %	5.6 %	7.3 %	6.8 %
Housing price index growth(2)	(9.6) %	1.3 %	(0.8) %	0.4 %	(13.9) %	0.3 %
BBB spread(3)	2.3 %	2.1 %	2.1 %	1.9 %	3.3 %	2.5 %
S&P/TSX growth(2)(4)	4.2 %	2.0 %	5.6 %	2.6 %	(25.6) %	5.5 %
WTI oil price(5) *(US$ per barrel)*	77	75	92	87	46	57

						As at October 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)	0.6 %	1.7 %	1.1 %	1.6 %	(5.2) %	2.9 %
Unemployment rate	6.0 %	6.1 %	5.4 %	5.4 %	7.4 %	6.4 %
Housing price index growth(2)	(11.2) %	0.7 %	– %	0.2 %	(13.9) %	0.3 %
BBB spread(3)	2.4 %	2.1 %	2.0 %	1.9 %	3.4 %	2.6 %
S&P/TSX growth(2)(4)	(4.3) %	2.4 %	5.1 %	2.6 %	(25.6) %	5.5 %
WTI oil price(5) *(US$ per barrel)*	78	77	102	97	44	51

(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 lead to 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 lead to lower allowances for credit losses.

During the quarter ended January 31, 2023, macroeconomic risks increased slightly.

A decline in energy costs in Europe and the relaxation of public health measures in China are good news for the global economy. Nevertheless, our base scenario remains prudent, since most countries still face persistent inflationary challenges, while uncertainty on the geopolitical front remains high. Supply chains are normalizing, and the prices for certain goods are decreasing, but the impacts of the tightening monetary policy are being felt. In North America, the normalization of monetary policy continues and is affecting the residential sector. However, the Canadian economy is still well positioned. Although commodity prices have declined from their recent peaks, they remain historically high and should benefit the natural resources industry. Meanwhile, consumers have amassed substantial excess savings against a backdrop of full employment. Still, consumption is likely to suffer from interest payment shock. The unemployment rate is 6.1% after 12 months, a 1-percentage-point increase. Housing prices decrease by 9.6% year over year. The S&P/TSX sits at 20,325 points after one year, and the price of oil hovers around US$80.

In the upside scenario, an easing of geopolitical tensions boosts confidence. Inflation comes under control as supply chains normalize, and the tight monetary policy does not inflict too much damage on the economy. Governments maintain a sizable fiscal stimulus in Canada and the United States, offsetting the tight monetary policy. Consumer spending is surprisingly high because of the excess savings amassed since the start of the pandemic. After one year, the unemployment rate is more favourable than in the base scenario (three-tenths lower). Housing prices decline by 0.8%, the S&P/TSX is at 20,600 points after one year and the price of oil is around US$91.

In the downside scenario, central bankers have underestimated the impact of their simultaneous tightening measures, and the global economy sinks into a recession, as a decrease in demand is reflected in reduced investment by businesses, which also carry out layoffs. Given budgetary constraints, governments cannot support households and businesses as they did during the pandemic. After 12 months, the economic contraction pushes the unemployment rate to 8.1%. Housing prices decrease considerably, and after one year, the S&P/TSX is at 14,500 points and the price of oil falls to US$40.

(unaudited) (millions of Canadian dollars)

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

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

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, 2023 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, 2023	**913**
Simulations	
100% upside scenario	648
100% base scenario	763
100% downside scenario	1,181

Note 6 – Other Assets

	As at January 31, 2023	As at October 31, 2022
Receivables, prepaid expenses and other items	3,036	2,591
Interest and dividends receivable	1,432	1,057
Due from clients, dealers and brokers	707	842
Defined benefit asset	452	498
Deferred tax assets	406	389
Current tax assets	650	471
Reinsurance assets	7	6
Insurance assets	109	104
	6,799	5,958

Note 7 – Deposits

				As at January 31, 2023	As at October 31, 2022
	On demand(1)	After notice(2)	Fixed term(3)	Total	Total
Personal	4,994	36,005	42,648	83,647	78,811
Business and government	59,829	31,035	104,174	195,038	184,230
Deposit-taking institutions	1,355	224	2,241	3,820	3,353
	66,178	67,264	149,063	282,505	266,394

(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 other similar instruments.

The *Deposits – Business and government* item includes, among other items, covered bonds for which the balance was $11.4 billion as at January 31, 2023 ($10.4 billion as at October 31, 2022). During the quarter ended January 31, 2023, the Bank issued 280 million Swiss francs in covered bonds (1.0 billion euros in covered bonds came to maturity, and the Bank issued 1.0 billion euros in covered bonds during the quarter ended January 31, 2022). For additional information on covered bonds, see Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2022.

In addition, as at January 31, 2023, the *Deposits – Business and government* item also includes deposits of $15.8 billion ($12.8 billion as at October 31, 2022) 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.

(unaudited) (millions of Canadian dollars)

Note 8 – Other Liabilities

	As at January 31, 2023	As at October 31, 2022
Accounts payable and accrued expenses	1,974	2,582
Subsidiaries' debts to third parties	168	156
Interest and dividends payable	1,392	1,063
Lease liabilities	543	552
Due to clients, dealers and brokers	670	730
Defined benefit liability	116	111
Allowances for credit losses – Off-balance-sheet commitments (Note 5)	161	162
Deferred tax liabilities	15	14
Current tax liabilities	98	67
Insurance liabilities	7	10
Other items(1)(2)(3)	1,001	914
	6,145	6,361

(1) As at January 31, 2023, *Other items* included $10 million in litigation provisions ($11 million as at October 31, 2022).
(2) As at January 31, 2023, *Other items* included $32 million in provisions for onerous contracts ($33 million as at October 31, 2022).
(3) As at January 31, 2023, *Other items* included the financial liability resulting from put options written to non-controlling interests of Flinks Technology Inc. (Flinks) for an amount of $34 million ($33 million as at October 31, 2022).

Note 9 – Share Capital and Other Equity Instruments

Shares and Other Equity Instruments Outstanding

	As at January 31, 2023		As at October 31, 2022	
	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
LRCN – Series 3	500,000	500	500,000	500
	1,500,000	1,500	1,500,000	1,500
Preferred shares and other equity instruments	67,500,000	3,150	67,500,000	3,150
Common shares at beginning of fiscal year	336,582,124	3,196	337,912,283	3,160
Issued pursuant to the Stock Option Plan	667,543	34	1,193,663	61
Repurchases of common shares for cancellation	–	–	(2,500,000)	(24)
Impact of shares purchased or sold for trading(2)	68,093	6	(18,295)	(1)
Other	–	–	(5,527)	–
Common shares at end of period	337,317,760	3,236	336,582,124	3,196

(1) Limited Recourse Capital Notes (LRCN).
(2) As at January 31, 2023, a total of 62,843 shares were sold short for trading, representing $6 million (5,250 shares were held for trading, representing a negligible amount as at October 31, 2022).

(unaudited) (millions of Canadian dollars)

Note 9 – Share Capital and Other Equity Instruments (cont.)

Dividends Declared and Distributions on Other Equity Instruments

	Quarter ended January 31			
	2023		2022	
	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 38	7	0.4392	5	0.2781
Series 40	3	0.2875	3	0.2875
Series 42	4	0.3094	4	0.3094
	20		18	
Other equity instruments				
LRCN – Series 1(1)	5		5	
LRCN – Series 2(2)	5		5	
LRCN – Series 3(3)	10		–	
	20		10	
Preferred shares and other equity instruments	40		28	
Common shares	327	0.9700	294	0.8700
	367		322	

(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.
(3) The LRCN – Series 3 bear interest at a fixed rate of 7.50% per annum.

Repurchase of Common Shares

On December 12, 2022, the Bank began a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2.1% of its outstanding common shares) over the 12-month period ending no later than December 11, 2023. On December 10, 2021, the Bank had begun a normal course issuer bid to repurchase for cancellation up to 7,000,000 common shares (representing approximately 2% of its then outstanding common shares) over the 12-month period ended 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, 2023, the Bank did not repurchase any common shares. During the quarter ended January 31, 2022, the Bank had repurchased 500,000 common shares for $48 million, which had reduced *Common share* capital by $5 million and *Retained earnings* by $43 million.

(unaudited) (millions of Canadian dollars)

Note 10 – Capital Disclosure

The Bank and all other major Canadian banks have to maintain the following 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 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. On December 8, 2022, OSFI expanded the domestic stability buffer range, setting it at 0% to 4.0% instead of the previous range of 0% to 2.5%, and it announced that the buffer would rise from 2.5% to 3.0% effective February 1, 2023. The domestic stability buffer must consist 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 must 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. Lastly, OSFI requires Canadian banks to meet a Basel III leverage ratio of at least 3.0%.

OSFI also requires 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 internal recapitalization in the unlikely event it becomes non-viable.

During the quarter ended January 31, 2023, the Bank was in compliance with all of OSFI's regulatory capital, leverage, and TLAC requirements.

Regulatory Capital(1), Leverage Ratio(1) and TLAC(2)

	As at January 31, 2023	As at October 31, 2022
Capital		
CET1	**15,330**	14,818
Tier 1	**18,478**	17,961
Total(3)	**19,484**	19,727
Risk-weighted assets	**121,813**	116,840
Total exposure	**411,149**	401,780
Capital ratios		
CET1	**12.6 %**	12.7 %
Tier 1	**15.2 %**	15.4 %
Total(3)	**16.0 %**	16.9 %
Leverage ratio	**4.5 %**	4.5 %
Available TLAC	**34,902**	32,351
TLAC ratio	**28.7 %**	27.7 %
TLAC leverage ratio	**8.5 %**	8.1 %

(1) Capital, risk-weighted assets, total exposure, the capital ratios and the leverage ratio are calculated in accordance with the Basel III rules, as set out in OSFI's *Capital Adequacy Requirements Guideline* and *Leverage Requirements Guideline*. The calculation of the figures as at October 31, 2022 had included the transitional measure applicable to expected credit loss provisioning implemented by OSFI in response to the COVID-19 pandemic. This provision ceased to apply on November 1, 2022.
(2) Available TLAC, the TLAC ratio, and the TLAC leverage ratio are calculated in accordance with OSFI's *Total Loss Absorbing Capacity Guideline*.
(3) Includes the $750 million redemption of medium-term notes on February 1, 2023.

(unaudited) (millions of Canadian dollars)

Note 11 – Share-Based Payments

Stock Option Plan
During the quarter ended January 31, 2023, the Bank awarded 1,416,060 stock options (1,771,588 stock options during the quarter ended January 31, 2022) with an average fair value of $14.76 per option ($13.24 in 2022).

As at January 31, 2023, there were 12,604,649 stock options outstanding (11,861,749 stock options as at October 31, 2022).

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	
	2023	2022
Risk-free interest rate	**3.25%**	1.79%
Expected life of options	**7 years**	7 years
Expected volatility	**23.13%**	22.68%
Expected dividend yield	**4.23%**	3.88%

During the quarter ended January 31, 2023, a $5 million compensation expense was recorded for this plan ($4 million for the quarter ended January 31, 2022).

Note 12 – Employee Benefits – Pension Plans and Other Post-Employment Benefit Plans

The Bank offers pension plans that have a defined benefit component and a defined contribution component. The Bank also offers 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	
	2023	2022	**2023**	2022
Current service cost	**23**	31	**–**	–
Interest expense (income), net	**(6)**	(5)	**2**	1
Administrative costs	**1**	1		
Expense of the defined benefit component	**18**	27	**2**	1
Expense of the defined contribution component	**1**			
Expense recognized in *Net income*	**19**	27	**2**	1
Remeasurements(1)				
Actuarial (gains) losses on defined benefit obligation	**330**	(185)	**6**	(4)
Return on plan assets(2)	**(264)**	58		
Remeasurements recognized in *Other comprehensive income*	**66**	(127)	**6**	(4)
	85	(100)	**8**	(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 13 – Income Taxes

Proposed Legislation

On November 4, 2022, the Government of Canada introduced Bill C-32 – *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022* to implement tax measures applicable to certain entities of banking and life insurer groups, as presented in its April 7, 2022 budget. These tax measures include the Canada Recovery Dividend (CRD), which is a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as a 1.5% increase in the statutory tax rate. On December 15, 2022, Bill C-32 received royal assent. Given that these tax measures were in effect at the financial reporting date, a $32 million tax expense for the CRD and an $8 million tax recovery for the tax rate increase, including the impact related to current and deferred taxes for fiscal 2022, were recognized in the consolidated financial statements as at January 31, 2023.

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	
	2023	2022[(1)]
Basic earnings per share		
Net income attributable to the Bank's shareholders and holders of other equity instruments	**881**	930
Dividends on preferred shares and distributions on other equity instruments	**35**	26
Net income attributable to common shareholders	**846**	904
Weighted average basic number of common shares outstanding *(thousands)*	**336,993**	338,056
Basic earnings per share *(dollars)*	**2.51**	2.67
Diluted earnings per share		
Net income attributable to common shareholders	**846**	904
Weighted average basic number of common shares outstanding *(thousands)*	**336,993**	338,056
Adjustment to average number of common shares *(thousands)*		
Stock options[(2)]	**3,450**	4,262
Weighted average diluted number of common shares outstanding *(thousands)*	**340,443**	342,318
Diluted earnings per share *(dollars)*	**2.49**	2.64

(1) For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements. For additional information, see Note 1.

(2) For the quarter ended January 31, 2023, the calculation of diluted earnings per share excluded an average number of 1,754,368 options outstanding with a weighted average exercise price of $96.35, given that the exercise price of these options was greater than the average price of the Bank's common shares. For the quarter ended January 31, 2022, given that 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.

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, 2022. This presentation reflects a revision to the method used for the sectoral allocation of technology investment expenses, which are now immediately allocated to the various business segments, whereas certain expenses, notably costs incurred during the research phase of projects, had previously been recorded in the *Other* heading of segment results. This revision is consistent with the accounting policy change applied in fiscal 2022 related to cloud computing arrangements. For the quarter ended January 31, 2022, certain amounts have been adjusted to reflect this accounting policy change (for additional information, see Note 1).

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 subsidiary; the activities of the ABA Bank subsidiary, which offers financial products and services to individuals and businesses in Cambodia; and the activities of targeted investments in certain emerging markets.

Other
This heading encompasses treasury activities; liquidity management; Bank funding; asset/liability management activities; the activities of the Flinks subsidiary, a fintech company specialized in financial data aggregation and distribution; certain specified items; and the unallocated portion of corporate units.

(unaudited) (millions of Canadian dollars)

Quarter ended January 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Net interest income[2]	**825**	669	**208**	119	**(91)**	398	**299**	270	**(142)**	(124)	**1,099**	1,332
Non-interest income[2]	**299**	289	**429**	473	**780**	264	**20**	15	**(45)**	93	**1,483**	1,134
Total revenues	**1,124**	958	**637**	592	**689**	662	**319**	285	**(187)**	(31)	**2,582**	2,466
Non-interest expenses	**606**	555	**364**	360	**287**	263	**98**	80	**48**	22	**1,403**	1,280
Income before provisions for credit losses and income taxes	**518**	403	**273**	232	**402**	399	**221**	205	**(235)**	(53)	**1,179**	1,186
Provisions for credit losses	**61**	(5)	**–**	–	**(9)**	(16)	**35**	18	**(1)**	1	**86**	(2)
Income before income taxes (recovery)	**457**	408	**273**	232	**411**	415	**186**	187	**(234)**	(54)	**1,093**	1,188
Income taxes (recovery)[2][3]	**126**	108	**75**	62	**113**	110	**39**	39	**(141)**	(61)	**212**	258
Net income	**331**	300	**198**	170	**298**	305	**147**	148	**(93)**	7	**881**	930
Non-controlling interests	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	**331**	300	**198**	170	**298**	305	**147**	148	**(93)**	7	**881**	930
Average assets[4]	**146,131**	136,093	**8,523**	8,331	**173,262**	157,761	**21,606**	17,974	**75,424**	68,513	**424,946**	388,672
Total assets	**146,852**	137,803	**8,427**	8,414	**163,581**	134,314	**22,072**	18,225	**77,410**	67,925	**418,342**	366,681

(1) For the quarter ended January 31, 2022, certain amounts have been reclassified, notably due to a revised method for the sectoral allocation of technology investment expenses. In addition, certain amounts have been adjusted to reflect a change in accounting policy related to cloud computing arrangements (for additional information, see Note 1).

(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 $78 million ($60 million in 2022), *Non-interest income* was grossed up by $52 million ($4 million in 2022), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments have been reversed under the *Other* heading.

(3) During the quarter ended January 31, 2023, the Bank recorded a $32 million tax expense with respect to the Canada Recovery Dividend, i.e., a one-time, 15% tax on the fiscal 2021 and 2020 average taxable income above $1 billion, as well as an $8 million tax recovery related to a 1.5% increase in the statutory tax rate, which includes the impact related to current and deferred taxes for fiscal 2022. These items are recorded in the *Other* heading. For additional information on these tax measures, see Note 13.

(4) Represents the average of the daily balances for the period, which is also the basis on which segment assets are reported to the operating segments.

Note 16 – Event After the Consolidated Balance Sheet Date

Redemption of Subordinated Debt

On February 1, 2023, the Bank redeemed $750 million of medium-term notes maturing on February 1, 2028 at a price equal to their nominal value plus accrued interest.

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 2023
(subject to approval by the Board of Directors of the Bank)

First quarter	March 1
Second quarter	May 31
Third quarter	August 30
Fourth quarter	December 1

Disclosure of First Quarter 2023 Results

Conference Call
- A conference call for analysts and institutional investors will be held on Wednesday, March 1, 2023 at 1:00 p.m. ET.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 9678666#.
- A recording of the conference call can be heard until July 1, 2023 by dialing 1-800-408-3053 or 905-694-9451. The access code is 4766736#.

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