

Management's Discussion and Analysis

February 26, 2020

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, 2020 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, 2020 and with the *2019 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.

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Caution Regarding Forward-Looking Statements

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

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

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 58 of the *2019 Annual Report*, and more specifically, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. *Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; potential disruptions to the Bank's information technology systems, including evolving cyberattack risk and possible impacts of catastrophic events affecting local and global economies, including public health emergencies and natural disasters.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the *2019 Annual Report*. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

Financial Reporting Method

As stated in Note 2 to its audited annual consolidated financial statements for the year ended October 31, 2019, the Bank adopted IFRS 16 on November 1, 2019. As permitted by the IFRS 16 transitional provisions, the Bank elected to apply IFRS 16 using the modified retrospective basis, with no restatement of comparative periods. Note 2 to these consolidated financial statements presents the impacts of IFRS 16 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2019 and additional information on adoption of IFRS 16. Since interim consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2019.

Non-GAAP Financial Measures

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

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

Financial Information

(millions of Canadian dollars, except per share amounts)

	Quarter ended January 31		
	2020	2019	% Change
Net income excluding specified items⁽¹⁾			
Personal and Commercial	251	242	4
Wealth Management	135	123	10
Financial Markets	184	168	10
U.S. Specialty Finance and International	85	60	42
Other	(35)	(41)	
Net income excluding specified items	620	552	12
Charge related to Maple ⁽²⁾	(10)	-	
Net income	610	552	11
Diluted earnings per share excluding specified items	\$ 1.70	\$ 1.50	13
Charge related to Maple ⁽²⁾	(0.03)	-	
Diluted earnings per share	\$ 1.67	\$ 1.50	11
Return on common shareholders' equity			
Including specified items	18.0 %	17.2 %	
Excluding specified items	18.3 %	17.2 %	

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.

(2) During the quarter ended January 31, 2020, the Bank recorded a charge of \$13 million (\$10 million net of income taxes) related to Maple Financial Group Inc. (Maple) in the *Other* heading of segment results following the event that occurred in December 2019, as described in the Contingent Liabilities section on page 16.

Highlights

(millions of Canadian dollars, except per share amounts)

	Quarter ended January 31		
	2020	2019	% Change
Operating results			
Total revenues	1,923	1,799	7
Net income	610	552	11
Net income attributable to the Bank's shareholders	594	536	11
Return on common shareholders' equity	18.0 %	17.2 %	
Earnings per share			
Basic	\$ 1.69	\$ 1.51	12
Diluted	1.67	1.50	11
Operating results on a taxable equivalent basis and excluding specified items⁽¹⁾			
Total revenues on a taxable equivalent basis	2,010	1,862	8
Net income excluding specified items	620	552	12
Return on common shareholders' equity excluding specified items	18.3 %	17.2 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	53.6 %	55.1 %	
Earnings per share excluding specified items⁽¹⁾			
Basic	\$ 1.72	\$ 1.51	14
Diluted	1.70	1.50	13
Common share information			
Dividends declared	\$ 0.71	\$ 0.65	
Book value	37.58	34.85	
Share price			
High	74.22	61.80	
Low	68.25	54.97	
Close	73.43	61.80	
Number of common shares (<i>thousands</i>)	335,818	335,500	
Market capitalization	24,659	20,734	

	As at January 31, 2020	As at October 31, 2019	% Change
(millions of Canadian dollars)			
Balance sheet and off-balance-sheet			
Total assets	289,191	281,458	3
Loans and acceptances, net of allowances	156,151	153,251	2
Deposits	197,504	189,566	4
Equity attributable to common shareholders	12,621	12,328	2
Assets under administration and under management	606,804	565,396	7
Regulatory ratios under Basel III			
Capital ratios			
Common Equity Tier 1 (CET1)	11.7 %	11.7 %	
Tier 1	14.9 %	15.0 %	
Total	16.0 %	16.1 %	
Leverage ratio	4.0 %	4.0 %	
Liquidity coverage ratio (LCR)	144 %	146 %	
Other information			
Number of employees – Worldwide	26,314	25,487	3
Number of branches in Canada	416	422	(1)
Number of banking machines in Canada	933	939	(1)

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

Economic Review and Outlook

Global Economy

The ratification of the Phase 1 trade deal between Washington and Beijing was met with relief. But just as the threat of a trade war was subsiding and the global manufacturing sector was stabilizing, the prospects for business profitability were muddied by a new danger, this time in the form of a frightening disease. Estimates of the economic impacts of coronavirus (COVID-19) will remain speculative until we have a better idea of the epidemic curve and the vaccine developed, or both. The Chinese government has already ordered the largest quarantine operation in human history (affecting 60 million people) to slow down propagation of the virus. Beijing has also ordered an extension of the Lunar New Year holiday and school closures. These restrictions will put a serious strain on the global supply chain. The consequences for the global economy of a prolonged shutdown of China's economy would be much greater today than during the SARS epidemic of 2003. In 2002, China had only just joined the World Trade Organization, and its economy represented 8% of global GDP. Today, it accounts for 20%. In 2002, the United States was the main trading partner of most countries around the world. Today, China is. Given these circumstances, we have reduced our global GDP forecast for 2020 by only one-tenth to 3.1%⁽¹⁾, but additional reductions could be justified if virus-related production stoppages prove to be long-lasting.

Barring any new fiscal stimulus, the U.S. economy will likely slow again in 2020 to 1.9%⁽¹⁾, a growth rate closer to its potential. Supported by healthy household balance sheets and a vibrant labour market, consumer spending will remain the driving force of the economy. The housing sector is expected to continue benefitting from the interest rate cuts made in 2019, as evidenced by the strong rebound in recent months. Given these factors, we do not believe that further rate cuts will be required in 2020. The Chair of the U.S. Federal Reserve, Jerome Powell, has already set a high bar for further interest rate cuts, stating that only a significant revision to the U.S. Federal Reserve's outlook could warrant a further policy easing.

Canadian Economy

After unexpectedly beating forecasts earlier this year, the Canadian economy slowed sharply in the fourth quarter of 2019, raising some concerns at the Bank of Canada. The central bank's accommodative tone has prompted markets to raise their bets on the adoption of monetary stimulus this year, which could admittedly occur should the economic slowdown persist. But we expect growth to rebound, as several temporary disruptions are set to reverse in the first quarter of 2020, including the end of the Canadian National Railway Company (CN) strike and the reactivation of the Keystone pipeline following a rupture. In addition, a replenishment of inventories in the United States after last quarter's liquidation is expected to help Canadian exporters bounce back after a disastrous fourth quarter in 2019. A strong labour market coupled with lower interest rates has fuelled a rebound in the housing market. With a tax cut for middle-class households expected to drive consumer spending in 2020 and help the economy grow close to its potential (1.8%⁽¹⁾), we remain skeptical about the need to cut interest rates in Canada barring a COVID-19 pandemic.

Quebec Economy

Quebec's economy continued to grow at a sustained pace in 2019, with growth pegged at 2.8%⁽¹⁾, well above the 1.6%⁽¹⁾ expected for the Canadian economy. An accommodative monetary policy, a weak currency and fiscal stimulus boosted Quebec's economy and labour market. In 2019, over 60,000 new jobs were created in the province, including no fewer than 52,000 full-time positions. In this environment, the unemployment rate continues to flirt with historical lows. Labour shortages are also reflected in the hourly wages of permanent workers, up an annualized 5.6% in the fourth quarter of 2019. These conditions ushered in a record year for housing sales in 2019 in Quebec's more affordable real estate market. Economic growth is expected to remain strong at 1.9%⁽¹⁾ in 2020. Households boast a high savings rate and lower debt levels than in the rest of Canada, a promising sign for spending in the coming quarters.

(1) GDP growth expectations, Economy and Strategy

Financial Analysis

Consolidated Results

(millions of Canadian dollars)

Quarter ended January 31

	2020	2019	% Change
Operating results			
Net interest income	930	863	8
Non-interest income	993	936	6
Total revenues	1,923	1,799	7
Non-interest expenses	1,091	1,026	6
Contribution	832	773	8
Provisions for credit losses	89	88	1
Income before income taxes	743	685	8
Income taxes	133	133	–
Net income	610	552	11
Diluted earnings per share (<i>dollars</i>)	1.67	1.50	11
Taxable equivalent basis⁽¹⁾			
Net interest income	57	35	
Non-interest income	30	28	
Income taxes	87	63	
Impact of taxable equivalent basis on net income	–	–	
Specified items⁽¹⁾			
Charge related to Maple	(13)	–	
Specified items before income taxes	(13)	–	
Income taxes on specified items	(3)	–	
Specified items after income taxes	(10)	–	
Operating results on a taxable equivalent basis and excluding specified items⁽¹⁾			
Net interest income on a taxable equivalent basis	987	898	10
Non-interest income on a taxable equivalent basis	1,023	964	6
Total revenues on a taxable equivalent basis	2,010	1,862	8
Non-interest expenses excluding specified items	1,078	1,026	5
Contribution on a taxable equivalent basis and excluding specified items	932	836	11
Provisions for credit losses	89	88	1
Income before income taxes on a taxable equivalent basis and excluding specified items	843	748	13
Income taxes on a taxable equivalent basis and excluding specified items	223	196	14
Net income excluding specified items	620	552	12
Diluted earnings per share excluding specified items (<i>dollars</i>)	1.70	1.50	13
Average assets	300,270	279,426	7
Average loans and acceptances	152,766	146,083	5
Average deposits	204,374	176,490	16
Efficiency ratio on a taxable equivalent basis and excluding specified items ⁽¹⁾	53.6 %	55.1 %	

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

Financial Results

For the first quarter of 2020, National Bank generated net income of \$610 million, an 11% increase from \$552 million in the first quarter of 2019. First-quarter diluted earnings per share stood at \$1.67, up 11% from \$1.50 in first quarter 2019. These increases were driven by sound net income growth across all the business segments.

At \$620 million, first-quarter net income excluding specified items grew 12% from \$552 million in the same quarter of 2019. First-quarter diluted earnings per share excluding specified items stood at \$1.70, a 13% increase from \$1.50 in the same quarter of 2019. For fiscal 2020, the first-quarter specified item, net of income taxes, consisted of a \$10 million charge related to Maple.

Return on common shareholders' equity excluding specified items was 18.3% for the quarter ended January 31, 2020 compared to 17.2% in the first quarter of 2019.

Total Revenues

For the first quarter of 2020, the Bank's total revenues amounted to \$1,923 million, rising \$124 million or 7% year over year. The Personal and Commercial segment's total revenues were up 3% owing to growth in loan and deposit volumes. The Wealth Management segment's total revenues were up 7% owing mainly to an increase in fee-based revenues. In the Financial Markets segment, total revenues on taxable equivalent basis rose 12% owing to an increase in global markets revenues. And in the U.S. Specialty Finance & International (USSF&I) segment, total revenues grew 14%, essentially due to revenue growth at the ABA Bank subsidiary. The Bank's total revenues on a taxable equivalent basis amounted to \$2,010 million in the first quarter of 2020, up 8% from \$1,862 million in the first quarter of 2019.

Non-Interest Expenses

First-quarter non-interest expenses stood at \$1,091 million, a 6% year-over-year increase due mainly to an increase in compensation and employee benefits, in particular the variable compensation associated with the revenue growth experienced across all business segments. In addition, the other expenses item included a \$13 million charge related to Maple in the first quarter of 2020. Non-interest expenses excluding specified items stood at \$1,078 million for the quarter ended January 31, 2020, up 5% from \$1,026 million in the same quarter of 2019.

Provisions for Credit Losses

For the first quarter of 2020, the Bank recorded \$89 million in provisions for credit losses compared to \$88 million in the same quarter of 2019. This slight change came from an increase in provisions for credit losses recorded for personal and commercial loans, for credit card receivables, and for Financial Markets segment loans, tempered by a decrease in provisions for credit losses on USSF&I segment loans, essentially related to the Credigy subsidiary.

Income Taxes

For the first quarter of 2020, income taxes stood at \$133 million, unchanged from the same quarter of 2019. The effective income tax rate was 18% in the first quarter of 2020 versus 19% in the same quarter of 2019. This change in effective tax rate was mainly the result of a year-over-year increase in tax-exempt dividend income.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended January 31		
	2020	2019 ⁽¹⁾	% Change
Operating results			
Net interest income	611	589	4
Non-interest income	269	262	3
Total revenues	880	851	3
Non-interest expenses	468	463	1
Contribution	412	388	6
Provisions for credit losses	70	58	21
Income before income taxes	342	330	4
Income taxes	91	88	3
Net income	251	242	4
Net interest margin ⁽²⁾	2.21 %	2.22 %	
Average interest-bearing assets	110,021	105,389	4
Average assets	115,946	111,145	4
Average loans and acceptances	115,445	110,589	4
Net impaired loans ⁽³⁾	375	347	8
Net impaired loans ⁽³⁾ as a % of average loans and acceptances	0.3 %	0.3 %	
Average deposits	64,388	61,108	5
Efficiency ratio	53.2 %	54.4 %	

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.

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

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

In the Personal and Commercial segment, net income totalled \$251 million in the first quarter of 2020, up 4% from \$242 million in the first quarter of 2019. The segment's total revenues grew \$29 million, or 3%, mainly due to a \$22 million increase in net interest income driven by growth in personal and commercial loan and deposit volumes. The higher net interest income was tempered by a slight narrowing of the net interest margin, which was 2.21% in the first quarter of 2020 versus 2.22% in the first quarter of 2019, with the decrease coming mainly from deposit margins.

Personal Banking's first-quarter total revenues rose \$20 million year over year. This growth was mainly driven by higher net interest income attributable to growth in loan and deposit volumes. As for Commercial Banking's first-quarter total revenues, they rose \$9 million year over year, also owing to an increase in net interest income as well as to an increase in revenues from advisory fees.

The segment's first-quarter non-interest expenses stood at \$468 million, a \$5 million or 1% year-over-year increase attributable to higher technology development costs and operations support charges. At 53.2%, its first-quarter efficiency ratio improved by 1.2 percentage points from first-quarter 2019. The segment recorded \$70 million in provisions for credit losses in the first quarter of 2020, a \$12 million year-over-year increase arising from higher provisions on non-impaired Personal Banking loans as well as from higher provisions on credit card receivables and on impaired Commercial Banking loans.

Wealth Management

(millions of Canadian dollars)	Quarter ended January 31		
	2020	2019 ⁽¹⁾	% Change
Operating results			
Net interest income	119	124	(4)
Fee-based revenues	273	242	13
Transaction-based and other revenues	73	68	7
Total revenues	465	434	7
Non-interest expenses	282	267	6
Contribution	183	167	10
Provisions for credit losses	–	–	
Income before income taxes	183	167	10
Income taxes	48	44	9
Net income	135	123	10
Average assets	5,943	6,492	(8)
Average loans and acceptances	4,766	4,911	(3)
Net impaired loans ⁽²⁾	3	3	–
Average deposits	32,430	33,129	(2)
Assets under administration and under management	606,804	510,036	19
Efficiency ratio	60.6 %	61.5 %	

(1) For the quarter ended January 31, 2019, certain amounts have been reclassified.

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

In the Wealth Management segment, net income totalled \$135 million for the first quarter of 2020, a 10% increase from \$123 million in the same quarter of 2019. The segment's first-quarter total revenues amounted to \$465 million, up \$31 million or 7% from \$434 million in the first quarter of 2019. This revenue increase was driven mainly by higher fee-based revenues, which rose 13% owing to growth in assets under administration and under management resulting from stock market growth and net inflows into various solutions. Furthermore, transaction-based and other revenues were up \$5 million year over year. As for first-quarter net interest income, it was down year over year as a result of smaller deposit margins.

At \$282 million, the segment's non-interest expenses increased 6% year over year, mainly due to higher variable compensation related to an increase in the segment's revenues. At 60.6%, its first-quarter efficiency ratio improved by 0.9 percentage points from first-quarter 2019. The segment's provisions for credit losses were nil in both the first quarters of 2020 and 2019.

Financial Markets

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

	Quarter ended January 31		
	2020	2019 ⁽²⁾	% Change
Operating results			
Global markets			
Equities	174	137	27
Fixed-income	85	65	31
Commodities and foreign exchange	30	48	(38)
Corporate and investment banking	169	160	6
Total revenues on a taxable equivalent basis	458	410	12
Non-interest expenses	199	178	12
Contribution on a taxable equivalent basis	259	232	12
Provisions for credit losses	9	3	
Income before income taxes on a taxable equivalent basis	250	229	9
Income taxes on a taxable equivalent basis	66	61	8
Net income	184	168	10
Average assets	120,371	104,545	15
Average loans and acceptances	17,025	16,230	5
Net impaired loans ⁽³⁾	40	7	
Average deposits	39,566	27,385	44
Efficiency ratio on a taxable equivalent basis ⁽⁴⁾	43.4 %	43.4 %	

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

(2) For the quarter ended January 31, 2019, certain amounts have been reclassified.

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

In the Financial Markets segment, net income totalled \$184 million in the first quarter of 2020, up 10% from \$168 million in the first quarter of 2019, and first-quarter total revenues on a taxable equivalent basis amounted to \$458 million, up 12% from \$410 million in the first quarter of 2019. First-quarter global markets revenues grew 16% year over year, as revenues from equity securities and from fixed-income securities were up 27% and 31%, respectively, whereas revenues from commodities and foreign exchange activities were down. The segment's first-quarter revenues from corporate and investment banking services were up 6% year over year, as higher revenues from merger and acquisition activity and capital markets activity were tempered somewhat by lower revenues from banking services.

In the first quarter of 2020, the segment's non-interest expenses stood at \$199 million, a 12% year-over-year increase that was mainly due to higher variable compensation resulting from revenue growth in the first quarter of 2020 as well as to higher transaction costs associated with business growth. The segment's first-quarter efficiency ratio on a taxable equivalent basis stood at 43.4%, stable compared to the same quarter in 2019. The segment recorded \$9 million in provisions for credit losses in the first quarter of 2020 compared to \$3 million in the first quarter of 2019, an increase arising from higher provisions on impaired loans.

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

(millions of Canadian dollars)	Quarter ended January 31		
	2020	2019	% Change
Total revenues			
Credigy	98	105	(7)
ABA Bank	95	65	46
International	2	1	
	195	171	14
Non-interest expenses			
Credigy	36	36	–
ABA Bank	41	31	32
International	1	1	
	78	68	15
Contribution	117	103	14
Provisions for credit losses			
Credigy	7	23	(70)
ABA Bank	3	4	(25)
	10	27	(63)
Income before income taxes	107	76	41
Income taxes	22	16	38
Net income	85	60	42
Non-controlling interests	9	10	(10)
Net income attributable to the Bank's shareholders	76	50	52
Average assets	12,494	10,448	20
Average loans and receivables	9,880	8,808	12
Net impaired loans – Stage 3 ⁽¹⁾	18	16	13
Purchased or originated credit-impaired (POCI) loans	1,024	1,395	(27)
Average deposits	4,373	2,758	59
Efficiency ratio	40.0 %	39.8 %	

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

In the USSF&I segment, net income totalled \$85 million in the first quarter of 2020, a 42% increase from \$60 million in the same quarter of 2019.

Credigy

For the first quarter of 2020, the Credigy subsidiary's net income totalled \$43 million, rising 19% from the same quarter of 2019. Credigy's first-quarter total revenues amounted to \$98 million, down from \$105 million in the first quarter of 2019 arising from changes in the loan portfolio mix. This decrease in total revenues was more than offset by the subsidiary's lower provisions for credit losses, which fell to \$7 million in the first quarter of 2020 from \$23 million in the first quarter of 2019 as a result of repayments and maturities of certain loan portfolios. At \$36 million, Credigy's first-quarter non-interest expenses remained stable.

ABA Bank

For the first quarter of 2020, the ABA Bank subsidiary's net income totalled \$41 million, rising 71% from the first quarter of 2019. ABA Bank's first-quarter total revenues were up 46% year over year owing to sustained growth in loan and deposit volumes, and its first-quarter non-interest expenses rose 32% year over year, mainly due to its growing banking network. The subsidiary recorded \$3 million in provisions for credit losses during the first quarter of 2020, relatively stable compared to the first quarter of fiscal 2019.

Other

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

	Quarter ended January 31	
	2020	2019 ⁽²⁾
Operating results		
Net interest income on a taxable equivalent basis	(44)	(50)
Non-interest income on a taxable equivalent basis	56	46
Total revenues on a taxable equivalent basis	12	(4)
Non-interest expenses	64	50
Contribution on a taxable equivalent basis	(52)	(54)
Provisions for credit losses	–	–
Income before income taxes on a taxable equivalent basis	(52)	(54)
Income taxes (recovery) on a taxable equivalent basis	(7)	(13)
Net loss	(45)	(41)
Non-controlling interests	7	6
Net loss attributable to the Bank's shareholders	(52)	(47)
Specified items after income taxes ⁽¹⁾	(10)	–
Net loss excluding specified items⁽¹⁾	(35)	(41)
Average assets	45,516	46,796

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

(2) For the quarter ended January 31, 2019, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of \$45 million in the first quarter of 2020 compared to a net loss of \$41 million in the same quarter of 2019. This change in net loss came mainly from an increase in non-interest expenses, essentially due to the Maple-related charge recorded during the quarter, and from a higher income tax rate arising from adjustments to the income tax provision. These items were partly offset by a higher contribution from treasury activities compared to the first quarter of 2019. The first-quarter net loss excluding specified items was \$35 million compared to a \$41 million net loss in the same quarter of 2019.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019	% Change
Assets			
Cash and deposits with financial institutions	12,454	13,698	(9)
Securities	92,299	82,226	12
Securities purchased under reverse repurchase agreements and securities borrowed	11,689	17,723	(34)
Loans and acceptances, net of allowances	156,151	153,251	2
Other	16,598	14,560	14
	289,191	281,458	3
Liabilities and equity			
Deposits	197,504	189,566	4
Other	75,492	75,983	(1)
Subordinated debt	774	773	–
Equity attributable to the Bank's shareholders	15,071	14,778	2
Non-controlling interests	350	358	(2)
	289,191	281,458	3

Assets

As at January 31, 2020, the Bank had total assets of \$289.2 billion, a \$7.7 billion or 3% increase from \$281.5 billion as at October 31, 2019. Cash and deposits with financial institutions, totalling \$12.5 billion as at January 31, 2020, decreased \$1.2 billion or 9% since October 31, 2019, mainly due to deposits with financial institutions.

Since October 31, 2019, securities rose \$10.1 billion, mainly due to an \$11.4 billion or 18% increase in securities at fair value through profit or loss, in particular equity securities. Securities other than those measured at fair value through profit or loss were down \$1.3 billion, while securities purchased under reverse repurchase agreements and securities borrowed decreased by \$6.0 billion, mainly related to the activities of the Financial Markets segment and treasury activities.

Totalling \$156.2 billion as at January 31, 2020, loans and acceptances, net of allowances, rose \$2.9 billion or 2% since October 31, 2019. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019	As at January 31, 2019
Loans and acceptances			
Residential mortgage and home equity lines of credit	81,635	80,214	76,312
Personal	13,707	13,901	14,517
Credit card	2,255	2,322	2,249
Business and government	59,247	57,492	54,296
	156,844	153,929	147,374
Allowances for credit losses	(693)	(678)	(664)
	156,151	153,251	146,710

Residential mortgages (including home equity lines of credit) were up \$1.4 billion or 2% compared to October 31, 2019 due to sustained demand for mortgage credit as well as to business growth at the ABA Bank subsidiary. Personal loans as well as credit card receivables have been relatively stable since October 31, 2019. Loans and acceptances to business and government were up \$1.8 billion or 3% since October 31, 2019 owing to growth in corporate financial services activities and to growth at the Credigy subsidiary.

When compared to January 31, 2019, loans and acceptances grew \$9.5 billion or 6%, while residential mortgages (including home equity lines of credit) were up \$5.3 billion or 7% due to sustained demand for mortgage credit and business growth at the ABA Bank subsidiary. Also compared to a year ago, personal loans were down 6%, a decrease related in part to the Credigy subsidiary following repayments and maturities of certain loan portfolios. As for credit card receivables, they remained stable when compared to January 31, 2019. Loans and acceptances to business and government grew \$4.9 billion or 9% from a year ago, driven by Commercial Banking activities and Credigy activities.

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, 2020, gross impaired loans excluding POCI loans stood at \$677 million compared to \$684 million as at October 31, 2019. Net impaired loans excluding POCI loans stood at \$436 million as at January 31, 2020 compared to \$450 million as at October 31, 2019, a \$14 million decrease related mainly to the net impaired loans of the business loan portfolios, tempered somewhat by an increase in the net impaired loans of the Financial Markets segment's loan portfolios. Gross POCI loans stood at \$1,024 million as at January 31, 2020, whereas they had stood at \$1,166 million as at October 31, 2019 as a result of repayments and maturities of certain loan portfolios.

Liabilities

As at January 31, 2020, the Bank had total liabilities of \$273.8 billion compared to \$266.3 billion as at October 31, 2019.

The Bank's total deposit liability stood at \$197.5 billion as at January 31, 2020 compared to \$189.6 billion as at October 31, 2019, a \$7.9 billion increase arising mainly from growth in business and government deposits.

As at January 31, 2020, personal deposits stood at \$61.4 billion, rising \$1.3 billion since October 31, 2019, essentially due to the Bank's initiatives to increase this type of deposit as well as to growth at the ABA Bank subsidiary.

Business and government deposits totalled \$130.9 billion as at January 31, 2020, rising \$5.6 billion from October 31, 2019. This increase came from treasury funding activities, including \$2.8 billion in deposits subject to bank recapitalization (bail-in).

At \$5.2 billion as at January 31, 2020, deposits from deposit-taking institutions rose \$1.0 billion since October 31, 2019, an increase that came from treasury funding activities and Commercial Banking activities.

Other liabilities stood at \$75.5 billion as at January 31, 2020, relatively stable compared to October 31, 2019.

Equity

As at January 31, 2020, equity attributable to the Bank's shareholders was \$15.1 billion, rising \$0.3 billion from October 31, 2019. This increase came essentially from net income net of dividends and from issuances of common shares under the Stock Option Plan. These increases were partly offset by remeasurements of pension plans and other post-employment benefit plans as well as by the net change in gains (losses) on cash flow hedges.

Exposures to Certain Activities

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

Leveraged finance is commonly employed to achieve a specific objective, for example, to make an acquisition, complete a buy-out or repurchase shares. Leveraged finance risk exposure takes the form of both funded and unfunded commitments. As at January 31, 2020, total commitments for this type of loan stood at \$3,786 million (\$3,559 million as at October 31, 2019). Details about other exposures are provided in the table on structured entities in Note 27 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Related Party Transactions

The Bank's policies and procedures regarding related party transactions have not significantly changed since October 31, 2019. For additional information, see Note 28 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Securitization and Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to various financial arrangements that, under IFRS, are not required to be recorded on the Consolidated Balance Sheet or are recorded at amounts other than their notional or contractual values. These arrangements include, among others, transactions with structured entities, derivative financial instruments, issuances of guarantees, credit instruments, and financial assets received as collateral. A complete analysis of these types of arrangements, including their nature, business purpose and importance, is provided on pages 48 and 49 of the *2019 Annual Report*.

For additional information on guarantees, commitments and structured entities, see Notes 26 and 27 to the audited annual consolidated financial statements for the year ended October 31, 2019. For additional information about financial assets transferred but not derecognized, see Note 8 to these consolidated financial statements.

Contingent Liabilities

Maple Financial Group Inc.

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

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

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

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

The Bank has been in contact with the German prosecutors, who have confirmed that, in their view based upon the evidence they have considered since the occurrence of the insolvency, the Bank was not involved in any respect with the alleged tax fraud undertaken by Maple GmbH nor was it negligent in failing to identify that alleged fraud. Further to discussions between the Bank and the German prosecutors concerning the amounts deemed attributable to the alleged tax fraud, the Bank paid 7.7 million euros to the German tax authorities on November 19, 2019. As at October 31, 2019, an \$11 million provision was recorded to reflect this adjusting event after the Consolidated Balance Sheet date.

In December 2019, the Bank, together with the other principal Maple shareholders, reached an agreement with the bankruptcy and insolvency administrator of Maple GmbH to settle any potential claims that might be asserted against them by or on behalf of Maple GmbH. In connection with the settlement, the Bank agreed to pay 8.7 million euros for the benefit of Maple GmbH's creditors and recorded a \$13 million charge in the *Non-interest expenses – Other* item presented in the *Other* heading of segment results. The legal process to finalize the agreement is under way and is expected to be completed by March 31, 2020. Upon the finalization of the agreement, the Bank expects that all material liabilities associated with its ownership of Maple will have been resolved.

Capital Management

Capital management has a dual role of ensuring a competitive return to the Bank's shareholders while maintaining a solid capital foundation that covers risks inherent to the Bank's business, supports its business segments and protects its clients. The Bank's capital management policy defines guiding principles as well as the roles and responsibilities of its internal capital adequacy assessment process. This process aims to determine the capital that the Bank needs to pursue its business activities and accommodate unexpected losses arising from extremely adverse economic and operational conditions. For additional information on the capital management framework, see the Capital Management section on pages 50 to 57 of the Bank's *2019 Annual Report*.

Basel Accord

The Bank and all other major Canadian banks have to maintain minimum capital ratios established by OSFI: a CET1 capital ratio of at least 10.0%, a Tier 1 capital ratio of at least 11.5%, and a Total capital ratio of at least 13.5%. All of these ratios are to include a capital conservation buffer of 2.5% established by the Basel Committee on Banking Supervision (BCBS) and OSFI as well as a 1.0% surcharge applicable solely to Domestic Systemically Important Banks (D-SIBs) and a 2.0% domestic stability buffer established by OSFI. The domestic stability buffer, which can vary from 0% to 2.5% of risk-weighted assets, consists exclusively of CET1 capital. A D-SIB that fails to meet this buffer requirement will not be subject to automatic constraints to reduce capital distributions but will have to provide a remediation plan to OSFI. The 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 75% of the capital requirements as calculated under Basel II, the difference is added to risk-weighted assets. OSFI requires Canadian banks to meet a Basel III leverage ratio of at least 3.0%. The leverage ratio is a measure independent of risk that is calculated by dividing the amount of Tier 1 capital by total exposure. Total exposure is defined as the sum of on-balance-sheet assets (including derivative exposures and securities financing transaction exposures) and off-balance-sheet items. The assets deducted from Tier 1 capital are also deducted from total exposure.

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

OSFI's *Total Loss Absorbing Capacity* (TLAC) guideline, which applies to all D-SIBs under the federal government's bail-in regulations, came into effect on September 23, 2018. The purpose of the TLAC guideline is to ensure that a D-SIB has sufficient loss-absorbing capacity to support its recapitalization in the unlikely event it becomes non-viable. OSFI is requiring D-SIBs to maintain a minimum risk-based TLAC ratio of 23.50% (including the domestic stability buffer) of risk-weighted assets and a minimum TLAC leverage ratio of 6.75% by November 1, 2021. During the fiscal year ended October 31, 2019, the Bank started to issue qualifying bail-in debt and expects its TLAC ratios to improve through the normal refinancing of its maturing unsecured term debt. The Bank does not anticipate any challenges in meeting these TLAC requirements.

Requirements – Regulatory Ratios Under Basel III

	As at January 31, 2020						
	Minimum	Capital conservation buffer	Minimum set by BCBS	D-SIB surcharge	Minimum set by OSFI ⁽¹⁾	Domestic stability buffer ⁽²⁾	Minimum set by OSFI ⁽¹⁾ , including the buffer
Capital ratios							
CET1	4.5 %	2.5 %	7.0 %	1.0 %	8.0 %	2.0 %	10.0 %
Tier 1	6.0 %	2.5 %	8.5 %	1.0 %	9.5 %	2.0 %	11.5 %
Total	8.0 %	2.5 %	10.5 %	1.0 %	11.5 %	2.0 %	13.5 %
Leverage ratio	3.0 %	n.a.	n.a.	n.a.	3.0 %	n.a.	3.0 %

n.a. Not applicable

(1) The capital ratios include the capital conservation buffer and the D-SIB surcharge.

(2) On December 10, 2019, OSFI raised the buffer level such that it will be 2.25% starting April 30, 2020.

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

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

Regulatory Developments

The Bank closely monitors regulatory developments and participates actively in the various consultative processes. For additional information on the regulatory context as at October 31, 2019, which is still the current context, see page 53 of the Capital Management section in the *2019 Annual Report*. Since November 1, 2019, the below-described regulatory developments should also be considered.

On November 14, 2019, the BCBS issued a consultative document entitled *Revisions to Market Risk Disclosure Requirements*. This document sets out adjustments to the Pillar 3 templates for the revised market risk framework, i.e., adjustments made to reflect the changes made to the final version of *Revisions to the Minimum Capital Requirements for Market Risk* published in January 2019.

On November 14, 2019, the BCBS issued *Voluntary Disclosure of Sovereign Exposures*, a consultative document seeking views on three potential disclosure templates. The document would require banks to disclose their sovereign exposures and risk-weighted assets according to jurisdiction, currency, and accounting classification. Implementation is mandatory for banks only when so required by the national authority in its territory.

On November 28, 2019, the BCBS issued a consultative document entitled *Credit Valuation Adjustment Risk: Targeted Final Revisions*. This document proposes a set of targeted adjustments to the CVA risk framework issued in December 2017. The adjustments are designed to align the revised CVA risk framework with the standards set out in *Minimum Capital Requirements for Market Risk* and in *Capital Requirements for Bank Exposures to Central Counterparties*.

Management Activities

On June 10, 2019, the Bank began a normal course issuer bid to repurchase for cancellation up to 6,000,000 common shares over the 12-month period ending no later than June 9, 2020. During the year ended October 31, 2019, the Bank had repurchased 2,200,000 common shares under this program. During the quarter ended January 31, 2020, the Bank did not repurchase any common shares.

Shares and Stock Options

	As at January 31, 2020	
	Number of shares	\$ million
First preferred shares		
Series 30	14,000,000	350
Series 32	12,000,000	300
Series 34	16,000,000	400
Series 36	16,000,000	400
Series 38	16,000,000	400
Series 40	12,000,000	300
Series 42	12,000,000	300
	98,000,000	2,450
Common shares	335,817,955	3,028
Stock options	12,212,108	

As at February 21, 2020, there were 335,857,519 common shares and 12,122,435 stock options outstanding. NVCC provisions require the conversion of capital instruments into a variable number of common shares should OSFI deem a bank to be non-viable or should the government publicly announce that a bank has accepted or agreed to accept an injection of capital. If an NVCC trigger event were to occur, all of the Bank's preferred shares and medium-term notes maturing on February 1, 2028, which are NVCC capital instruments, would be converted into common shares of the Bank according to an automatic conversion formula at a conversion price corresponding to the greater of the following amounts: (i) a \$5.00 contractual floor price; or (ii) the market price of the Bank's common shares on the date of the trigger event (10-day weighted average price). Based on a \$5.00 floor price and including an estimate for accrued dividends and interest, these NVCC capital instruments would be converted into a maximum of 724 million Bank common shares, which would have a 68.3% dilutive effect based on the number of Bank common shares outstanding as at January 31, 2020.

Movement in Regulatory Capital

(millions of Canadian dollars)	Quarter ended January 31, 2020
Common Equity Tier 1 (CET1) capital	
Balance at beginning	9,692
Issuance of common shares (including Stock Option Plan)	70
Impact of shares purchased or sold for trading	–
Repurchase of common shares	–
Other contributed surplus	2
Dividends on preferred and common shares	(267)
Net income attributable to the Bank's shareholders	594
Removal of own credit spread (net of income taxes)	32
Other	(83)
Movements in accumulated other comprehensive income	
Translation adjustments	6
Debt securities at fair value through other comprehensive income	12
Other	–
Change in goodwill and intangible assets (net of related tax liability)	(13)
Other, including regulatory adjustments and transitional arrangements	
Change in defined benefit pension plan asset (net of related tax liability)	1
Change in amount exceeding 15% threshold	
Deferred tax assets	–
Significant investment in common shares of financial institutions	–
Change in other regulatory adjustments ⁽¹⁾	–
Balance at end	10,046
Additional Tier 1 capital	
Balance at beginning	2,800
New Tier 1 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Additional Tier 1 subject to phase-out	–
Other, including regulatory adjustments and transitional arrangements	–
Balance at end	2,800
Total Tier 1 capital	12,846
Tier 2 capital	
Balance at beginning	874
New Tier 2 eligible capital issuances	–
Redeemed capital	–
Change in non-qualifying Tier 2 subject to phase-out	–
Tier 2 instruments issued by subsidiaries and held by third parties	–
Change in certain allowances for credit losses	16
Other, including regulatory adjustments and transitional arrangements	19
Balance at end	909
Total regulatory capital	13,755

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

Risk-Weighted Assets by Key Risk Drivers

CET1 risk-weighted assets (RWA) amounted to \$86.2 billion as at January 31, 2020 compared to \$83.0 billion as at October 31, 2019, a \$3.2 billion increase resulting mainly from organic growth in RWA and from changes to the calculation method resulting from regulatory changes, in particular the expiry of transitional arrangements for specific wrong-way risk and for the revised securitization framework, as well as the adoption of IFRS 16. The changes in the Bank's risk-weighted assets by risk type are presented in the following table.

Risk-Weighted Assets Movements by Key Drivers

(millions of Canadian dollars)	Quarter ended			
			January 31, 2020	October 31, 2019
	Non-counterparty credit risk	Counterparty credit risk	Total	Total
Credit risk – Risk-weighted assets at beginning	61,254	6,000	67,254	65,693
Book size	1,349	301	1,650	1,979
Book quality	(41)	(36)	(77)	11
Model updates	(17)	–	(17)	(46)
Methodology and policy	823	423	1,246	(362)
Acquisitions and disposals	–	–	–	–
Foreign exchange movements	72	17	89	(21)
Credit risk – Risk-weighted assets at end	63,440	6,705	70,145	67,254
Market risk – Risk-weighted assets at beginning			4,276	3,972
Movement in risk levels ⁽¹⁾			121	304
Model updates			–	–
Methodology and policy			–	–
Acquisitions and disposals			–	–
Market risk – Risk-weighted assets at end			4,397	4,276
Operational risk – Risk-weighted assets at beginning			11,509	11,319
Movement in risk levels			155	190
Acquisitions and disposals			–	–
Operational risk – Risk-weighted assets at end			11,664	11,509
Risk-weighted assets at end			86,206	83,039

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

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

The *Book size* item reflects organic changes in 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.

The *Methodology and policy* item presents the impact of changes in calculation methods resulting from changes in regulatory policies as a result, for example, of new regulations. During the quarter ended January 31, 2020, the transitional arrangements for specific wrong-way risk and for the revised securitization framework expired. On November 1, 2019, the Bank had also adopted IFRS 16 and recognized right-of-use assets.

Regulatory Capital Ratios

As at January 31, 2020, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.7%, 14.9% and 16.0%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.7%, 15.0% and 16.1% as at October 31, 2019. The CET1 capital ratio remained stable. Net income net of dividends, and common share issuances under the Stock Option Plan offset the expiry of transitional arrangements for specific wrong-way risk and for the revised securitization framework, the adoption of IFRS 16, growth in risk-weighted assets, and remeasurements of pension plans and other post-employment benefit plans. The slight decreases in the Tier 1 capital ratio and the Total capital ratio were essentially due to the same factors. As at January 31, 2020, the leverage ratio was 4.0%, stable compared to October 31, 2019. The growth in Tier 1 capital was offset by growth in total leverage exposure.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019
Capital		
CET1	10,046	9,692
Tier 1	12,846	12,492
Total	13,755	13,366
Risk-weighted assets	86,206	83,039
Total exposure	319,709	308,902
Capital ratios		
CET1	11.7 %	11.7 %
Tier 1	14.9 %	15.0 %
Total	16.0 %	16.1 %
Leverage ratio	4.0 %	4.0 %

Dividends

On February 26, 2020, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 71 cents per common share, payable on May 1, 2020 to shareholders of record on March 30, 2020.

Risk Management

Risk-taking is intrinsic to a financial institution's business. The Bank views risk as an integral part of its development and the diversification of its activities. It advocates a risk management approach consistent with its business strategy. The Bank voluntarily exposes itself to certain risk categories, particularly credit and market risk, in order to generate revenue. It assumes certain risks that are inherent to its activities—to which it does not choose to expose itself—and that do not generate revenue, i.e., mainly operational risks. The purpose of sound and effective risk management is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds, to control the volatility in the Bank's results, and to ensure that risk-taking contributes to the creation of shareholder value. The Bank's governance structure for risk management has remained largely unchanged from that described in the *2019 Annual Report*.

Despite the exercise of stringent risk management and the mitigation measures in place, risk cannot be suppressed entirely, and residual risks may occasionally cause significant losses. Certain risks are discussed hereafter. For additional information, see the Risk Management section on pages 58 to 94 of the *2019 Annual Report*. Risk management information is also provided in Note 7 to the consolidated financial statements, which covers loans.

Credit Risk

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

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

Maximum Credit Risk Exposure Under the Basel Asset Categories

(millions of Canadian dollars)						As at January 31, 2020	As at October 31, 2019
	Drawn	Undrawn commitments	Repo-style transactions ⁽¹⁾	Derivative financial instruments	Other off-balance- sheet items ⁽²⁾	Total	Total
Retail							
Residential mortgages	51,590	8,975	–	–	–	60,565	59,140
Qualifying revolving retail	2,425	2,888	–	–	–	5,313	5,586
Other retail	14,079	1,839	–	–	20	15,938	16,189
	68,094	13,702	–	–	20	81,816	80,915
Non-retail							
Corporate	57,715	21,337	25,312	–	4,403	108,767	102,157
Sovereign	39,313	5,401	41,870	170	130	86,884	82,419
Financial institutions	4,734	425	101,465	1,848	559	109,031	105,643
	101,762	27,163	168,647	2,018	5,092	304,682	290,219
Trading portfolio	–	–	–	14,033	–	14,033	12,015
Securitization	1,901	–	–	–	3,136	5,037	4,764
Total – Gross credit risk	171,757	40,865	168,647	16,051	8,248	405,568	387,913
Standardized Approach	19,051	471	25,460	1,833	260	47,075	48,408
AIRB Approach	152,706	40,394	143,187	14,218	7,988	358,493	339,505
Total – Gross credit risk	171,757	40,865	168,647	16,051	8,248	405,568	387,913

(1) Securities purchased under reverse repurchase agreements and sold under repurchase agreements as well as securities loaned and borrowed.

(2) Letters of guarantee, documentary letters of credit and securitized assets that represent the Bank's commitment to make payments in the event that a client cannot meet its financial obligations to third parties.

To meet OSFI's mortgage loan disclosure requirements, additional information has been provided in *Supplementary Financial Information – First Quarter 2020* and in *Supplementary Regulatory Capital and Pillar 3 Disclosure – First Quarter 2020*, 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.

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

Reconciliation of Market Risk With Consolidated Balance Sheet Items

(millions of Canadian dollars)				As at January 31, 2020	
	Balance sheet	Market risk measures		Not subject to market risk	Non-traded risk primary risk sensitivity
		Trading ⁽¹⁾	Non-Trading ⁽²⁾		
Assets					
Cash and deposits with financial institutions	12,454	344	11,886	224	Interest rate ⁽³⁾
Securities					
At fair value through profit or loss	73,151	69,549	3,602	–	Interest rate ⁽³⁾ and equity
At fair value through other comprehensive income	9,488	–	9,488	–	Interest rate ⁽³⁾ and equity ⁽⁴⁾
At amortized cost	9,660	–	9,660	–	Interest rate ⁽³⁾
Securities purchased under reverse repurchase agreements and securities borrowed	11,689	–	11,689	–	Interest rate ⁽³⁾⁽⁵⁾
Loans and acceptances, net of allowances	156,151	6,341	149,810	–	Interest rate ⁽³⁾
Derivative financial instruments	8,965	7,948	1,017	–	Interest rate and exchange rate
Defined benefit asset	29	–	29	–	Other
Other	7,604	–	–	7,604	
	289,191	84,182	197,181	7,828	
Liabilities					
Deposits	197,504	9,924	187,580	–	Interest rate ⁽³⁾
Acceptances	6,871	–	6,871	–	Interest rate ⁽³⁾
Obligations related to securities sold short	12,263	12,263	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	22,054	–	22,054	–	Interest rate ⁽³⁾⁽⁵⁾
Derivative financial instruments	6,982	6,137	845	–	Interest rate and exchange rate
Liabilities related to transferred receivables	20,824	4,702	16,122	–	Interest rate ⁽³⁾
Defined benefit liability	456	–	456	–	Other
Other	6,042	–	911	5,131	Interest rate ⁽³⁾
Subordinated debt	774	–	774	–	Interest rate ⁽³⁾
	273,770	33,026	235,613	5,131	

(1) Trading positions whose risk measures are VaR and SVaR. For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk section of the *2019 Annual Report*.

(2) Non-trading positions that use other risk measures.

(3) For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented on the following pages and in the Market Risk section of the *2019 Annual Report*.

(4) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 6 to the consolidated financial statements.

(5) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.

(millions of Canadian dollars)

As at October 31, 2019

	Balance sheet	Market risk measures		Not subject to market risk	Non-traded risk primary risk sensitivity
		Trading ⁽¹⁾	Non-Trading ⁽²⁾		
Assets					
Cash and deposits with financial institutions	13,698	579	12,609	510	Interest rate ⁽³⁾
Securities					
At fair value through profit or loss	61,823	58,170	3,653	–	Interest rate ⁽³⁾ and equity ⁽⁴⁾
At fair value through other comprehensive income	10,648	–	10,648	–	Interest rate ⁽³⁾ and equity ⁽⁵⁾
Amortized cost	9,755	–	9,755	–	Interest rate ⁽³⁾
Securities purchased under reverse repurchase agreements and securities borrowed	17,723	–	17,723	–	Interest rate ⁽³⁾⁽⁶⁾
Loans and acceptances, net of allowances	153,251	6,060	147,191	–	Interest rate ⁽³⁾
Derivative financial instruments	8,129	7,134	995	–	Interest rate ⁽⁷⁾ and exchange rate ⁽⁷⁾
Defined benefit asset	38	–	38	–	Other ⁽⁸⁾
Other	6,393	–	–	6,393	
	281,458	71,943	202,612	6,903	
Liabilities					
Deposits	189,566	9,869	179,697	–	Interest rate ⁽³⁾
Acceptances	6,893	–	6,893	–	Interest rate ⁽³⁾
Obligations related to securities sold short	12,849	12,849	–	–	
Obligations related to securities sold under repurchase agreements and securities loaned	21,900	–	21,900	–	Interest rate ⁽³⁾⁽⁶⁾
Derivative financial instruments	6,852	6,123	729	–	Interest rate ⁽⁷⁾ and exchange rate ⁽⁷⁾
Liabilities related to transferred receivables	21,312	5,165	16,147	–	Interest rate ⁽³⁾
Defined benefit liability	374	–	374	–	Other ⁽⁸⁾
Other	5,803	24	911	4,868	Interest rate ⁽³⁾
Subordinated debt	773	–	773	–	Interest rate ⁽³⁾
	266,322	34,030	227,424	4,868	

- (1) Trading positions whose risk measures are VaR and SVaR. For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category as well as their correlation effect, which are presented on the following pages and in the Market Risk section of the *2019 Annual Report*.
- (2) Non-trading positions that use other risk measures.
- (3) For additional information, see the tables that show the VaR and SVaR distributions of the trading portfolios by risk category and their correlation effect as well as the interest rate sensitivity tables, which are presented below and on the following page as well as in the Market Risk section of the *2019 Annual Report*.
- (4) For additional information, see Note 6 to the audited annual consolidated financial statements for the fiscal year ended October 31, 2019.
- (5) The fair value of equity securities designated at fair value through other comprehensive income is presented in Notes 4 and 6 to the consolidated financial statements.
- (6) These instruments are recorded at amortized cost and are subject to credit risk for capital management purposes. For trading-related transactions with maturities of more than one day, interest rate risk is included in the VaR and SVaR measures.
- (7) For additional information, see Notes 16 and 17 to the audited annual consolidated financial statements for the year ended October 31, 2019.
- (8) For additional information, see Note 23 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Trading Activities

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

VaR of Trading Portfolios by Risk Category⁽¹⁾

(millions of Canadian dollars)

Quarter ended

	January 31, 2020				October 31, 2019		January 31, 2019	
	Low	High	Average	Period end	Average	Period end	Average	Period end
Interest rate	(4.0)	(6.0)	(4.9)	(4.5)	(5.0)	(4.4)	(5.7)	(5.4)
Exchange rate	(0.4)	(1.4)	(0.8)	(0.7)	(1.0)	(1.3)	(0.9)	(0.9)
Equity	(2.7)	(4.5)	(3.4)	(4.0)	(3.4)	(3.8)	(4.5)	(3.6)
Commodity	(0.6)	(1.7)	(1.1)	(0.8)	(1.0)	(1.2)	(1.2)	(1.3)
Correlation effect ⁽²⁾	n.m.	n.m.	4.6	5.1	4.2	4.4	5.9	5.8
Total trading VaR	(4.6)	(7.1)	(5.6)	(4.9)	(6.2)	(6.3)	(6.4)	(5.4)

n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.

- (1) Amounts are presented on a pre-tax basis and represent one-day VaR using a 99% confidence level.
- (2) The total trading VaR is less than the sum of the individual risk factor VaR results due to the correlation effect.

SVaR of Trading Portfolios by Risk Category⁽¹⁾

(millions of Canadian dollars)

	Quarter ended							
	January 31, 2020				October 31, 2019		January 31, 2019	
	Low	High	Average	Period end	Average	Period end	Average	Period end
Interest rate	(11.2)	(20.1)	(14.7)	(11.2)	(18.9)	(15.1)	(14.4)	(14.2)
Exchange rate	(0.5)	(3.2)	(1.4)	(0.7)	(1.6)	(2.0)	(1.5)	(1.2)
Equity	(4.8)	(13.2)	(8.7)	(7.7)	(8.3)	(8.9)	(8.3)	(7.0)
Commodity	(1.6)	(2.7)	(2.1)	(2.3)	(2.1)	(2.7)	(2.3)	(1.5)
Correlation effect ⁽²⁾	n.m.	n.m.	10.5	10.4	15.9	13.4	14.6	11.2
Total trading SVaR	(11.5)	(23.9)	(16.4)	(11.5)	(15.0)	(15.3)	(11.9)	(12.7)

n.m. Computation of a correlation effect for the high and low is not meaningful, as highs and lows may occur on different days and be attributable to different types of risk.

(1) Amounts are presented on a pre-tax basis and represent one-day SVaR using a 99% confidence level.

(2) The total trading SVaR is less than the sum of the individual risk factor SVaR results due to the correlation effect.

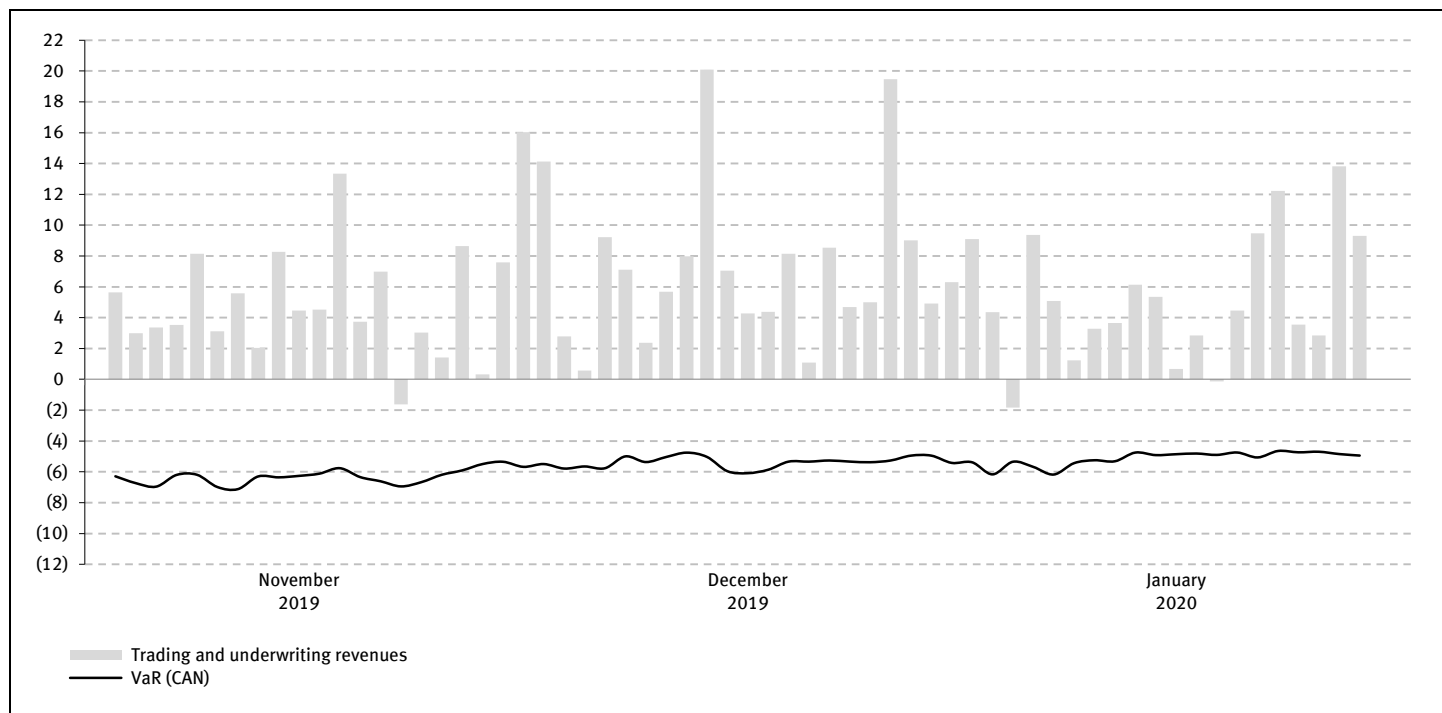
The average trading VaR decreased from \$6.2 million to \$5.6 million between the fourth quarter of 2019 and the first quarter of 2020, mainly as a result of tail scenarios moving out the two-year VaR history window. For the first quarter of 2020, the average trading SVaR increased from \$15.0 million to \$16.4 million, mainly due to a reduction to the correlation benefit resulting from a lower interest rate exposure.

Daily Trading and Underwriting Revenues

The following table shows daily trading and underwriting revenues as well as VaR. Daily trading and underwriting revenues were positive 95% of the days for the quarter ended January 31, 2020. Two trading days were marked by daily trading and underwriting net losses of more than \$1 million. None of the 2020 first-quarter losses exceeded the VaR.

Quarter Ended January 31, 2020

(millions of Canadian dollars)



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

The following tables present the potential before-tax impact of an immediate and sustained 100-basis-point increase or decrease in interest rates on the economic value of equity and on 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, 2020			As at October 31, 2019		
	Canadian dollar	Other currencies	Total	Canadian dollar	Other currencies	Total
Impact on equity						
100-basis-point increase in the interest rate	(188)	(5)	(193)	(178)	40	(138)
100-basis-point decrease in the interest rate	182	5	187	199	(4)	195
Impact on net interest income						
100-basis-point increase in the interest rate	(50)	(16)	(66)	(26)	42	16
100-basis-point decrease in the interest rate	68	16	84	73	(4)	69

Liquidity and Funding Risk

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

Liquidity risk stems from mismatched cash flows related to assets and liabilities as well as from the characteristics of certain products such as credit commitments and non-fixed-term deposits.

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 closely monitors regulatory developments and participates actively in various consultative processes. For additional information on the regulatory context as at October 31, 2019, which is still the current context, see page 82 of the Risk Management section in the *2019 Annual Report*. Since November 1, 2019, the below-described regulatory development should also be considered.

On December 5, 2019, OSFI published the final version of guideline *B-6 – Liquidity Principles*. The previous version was last updated in 2012, and the changes aim to ensure that the guideline remains current, relevant, and appropriate to the scale and complexity of institutions. The implementation date is January 1, 2020.

Liquidity Management

Liquid Assets

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

Liquid Asset Portfolio

(millions of Canadian dollars)	As at January 31, 2020					As at October 31, 2019
	Bank-owned liquid assets ⁽¹⁾	Liquid assets received ⁽²⁾	Total liquid assets	Encumbered liquid assets ⁽³⁾	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	12,454	–	12,454	4,062	8,392	9,596
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	26,279	18,203	44,482	23,726	20,756	23,455
Issued or guaranteed by Canadian provincial and municipal governments	9,624	5,119	14,743	9,395	5,348	6,145
Other debt securities	5,329	2,192	7,521	2,114	5,407	5,581
Equity securities	51,067	29,819	80,886	46,312	34,574	26,968
Loans						
Securities backed by insured residential mortgages	7,851	–	7,851	4,110	3,741	2,926
As at January 31, 2020	112,604	55,333	167,937	89,719	78,218	
As at October 31, 2019	103,346	55,310	158,656	83,985		74,671

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019
Unencumbered liquid assets by entity		
National Bank (parent)	24,448	30,380
Domestic subsidiaries	14,932	14,815
Foreign subsidiaries and branches	38,838	29,476
	78,218	74,671

(millions of Canadian dollars)	As at January 31, 2020	As at October 31, 2019
Unencumbered liquid assets by currency		
Canadian dollar	32,465	39,172
U.S. dollar	22,684	19,356
Other currencies	23,069	16,143
	78,218	74,671

Liquid Asset Portfolio – Average⁽⁴⁾

(millions of Canadian dollars)	Quarter ended					Quarter ended
	January 31, 2020					October 31, 2019
	Bank-owned liquid assets ⁽¹⁾	Liquid assets received ⁽²⁾	Total liquid assets	Encumbered liquid assets ⁽³⁾	Unencumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	12,293	–	12,293	3,892	8,401	7,852
Securities						
Issued or guaranteed by the Canadian government, U.S. Treasury, other U.S. agencies and other foreign governments	29,128	18,390	47,518	26,074	21,444	23,542
Issued or guaranteed by Canadian provincial and municipal governments	9,800	6,324	16,124	11,567	4,557	4,923
Other debt securities	6,169	2,218	8,387	2,354	6,033	5,074
Equity securities	50,501	31,183	81,684	46,971	34,713	30,636
Loans						
Securities backed by insured residential mortgages	7,782	–	7,782	4,289	3,493	2,967
	115,673	58,115	173,788	95,147	78,641	74,994

(1) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.

(2) Securities received as collateral with respect to securities financing and derivative transactions and securities purchased under reverse repurchase agreements and securities borrowed.

(3) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered liquid assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities and liquid assets legally restricted from transfers.

(4) The average is based on the sum of the end-of-period balances of the three months of the quarter divided by three.

Summary of Encumbered and Unencumbered Assets

(millions of Canadian dollars)	As at January 31, 2020					
	Encumbered assets ⁽¹⁾		Unencumbered assets		Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other ⁽²⁾	Available as collateral	Other ⁽³⁾		
Cash and deposits with financial institutions	162	3,900	8,392	–	12,454	1.4
Securities	26,214	–	66,085	–	92,299	9.1
Securities purchased under reverse repurchase agreements and securities borrowed	–	11,689	–	–	11,689	4.0
Loans and acceptances, net of allowances	31,339	–	3,741	121,071	156,151	10.8
Derivative financial instruments	–	–	–	8,965	8,965	–
Investments in associates and joint ventures	–	–	–	387	387	–
Premises and equipment	–	–	–	1,155	1,155	–
Goodwill	–	–	–	1,413	1,413	–
Intangible assets	–	–	–	1,420	1,420	–
Other assets	–	–	–	3,258	3,258	–
	57,715	15,589	78,218	137,669	289,191	25.3

(millions of Canadian dollars)	As at October 31, 2019					
	Encumbered assets ⁽¹⁾		Unencumbered assets		Total	Encumbered assets as a % of total assets
	Pledged as collateral	Other ⁽²⁾	Available as collateral	Other ⁽³⁾		
Cash and deposits with financial institutions	143	3,959	9,596	–	13,698	1.4
Securities	24,950	–	57,276	–	82,226	8.9
Securities purchased under reverse repurchase agreements and securities borrowed	–	12,850	4,873	–	17,723	4.6
Loans and acceptances, net of allowances	31,835	–	2,926	118,490	153,251	11.3
Derivative financial instruments	–	–	–	8,129	8,129	–
Investments in associates and joint ventures	–	–	–	385	385	–
Premises and equipment	–	–	–	490	490	–
Goodwill	–	–	–	1,412	1,412	–
Intangible assets	–	–	–	1,406	1,406	–
Other assets	–	–	–	2,738	2,738	–
	56,928	16,809	74,671	133,050	281,458	26.2

- (1) In the normal course of its funding activities, the Bank pledges assets as collateral in accordance with standard terms. Encumbered assets include assets used to cover short sales, obligations related to securities sold under repurchase agreements and securities loaned, guarantees related to security-backed loans and borrowings, collateral related to derivative financial instrument transactions, asset-backed securities, residential mortgage loans securitized and transferred under the Canada Mortgage Bond program, assets held in consolidated trusts supporting the Bank's funding activities and mortgage loans transferred under the covered bond program.
- (2) Other encumbered assets include assets for which there are restrictions and that cannot therefore be used for collateral or funding purposes as well as assets used to cover short sales.
- (3) Other unencumbered assets are assets that cannot be used for collateral or funding purposes in their current form. This category includes assets that are potentially eligible as funding program collateral (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 (LCR)

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

The following table provides average LCR data calculated using the daily figures in the quarter. For the quarter ended January 31, 2020, the Bank's average LCR was 144%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.

LCR Disclosure Requirements⁽¹⁾

(millions of Canadian dollars)

	For the quarter ended		
		January 31, 2020	October 31, 2019
	Total unweighted value ⁽²⁾ (average)	Total weighted value ⁽³⁾ (average)	Total weighted value ⁽³⁾ (average)
High-quality liquid assets (HQLA)			
1 Total HQLA	n.a.	46,222	45,891
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	45,498	3,397	3,039
3 Stable deposits	20,074	602	581
4 Less stable deposits	25,424	2,795	2,458
5 Unsecured wholesale funding, of which:	54,290	43,522	42,479
6 Operational deposits (all counterparties)	11,790	3,281	3,143
7 Non-operational deposits (all counterparties)	37,693	32,254	29,965
8 Unsecured debt	4,807	7,987	9,371
9 Secured wholesale funding	n.a.	16,446	15,952
10 Additional requirements, of which:	31,911	10,836	10,199
11 Outflows related to derivative exposures and other collateral requirements	8,162	5,877	5,291
12 Outflows related to loss of funding on secured debt securities	3,169	879	839
13 Backstop liquidity and credit enhancement facilities and commitments to extend credit	20,580	4,080	4,069
14 Other contractual commitments to extend credit	9,136	1,006	576
15 Other contingent commitments to extend credit	63,101	1,516	1,447
16 Total cash outflows	n.a.	76,723	73,692
Cash inflows			
17 Secured lending (e.g., reverse repos)	92,084	18,091	19,500
18 Inflows from fully performing exposures	8,584	6,151	6,455
19 Other cash inflows	14,530	20,126	16,070
20 Total cash inflows	115,198	44,368	42,025
		Total adjusted value⁽⁴⁾	Total adjusted value⁽⁴⁾
21 Total HQLA	n.a.	46,222	45,891
22 Total net cash outflows	n.a.	32,355	31,667
23 Liquidity coverage ratio (%) ⁽⁵⁾	n.a.	144 %	146 %

n.a. Not applicable

(1) OSFI prescribed a table format in order to standardize disclosure throughout the banking industry.

(2) Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

(3) Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates.

(4) Total adjusted values are calculated after the application of both haircuts and inflow and outflow rates and any applicable caps.

(5) The data in this table is calculated using averages of the daily figures in the quarter.

As at January 31, 2020, 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, and such variation may not be indicative of a trend. The variation between the quarter ended January 31, 2020 and the preceding quarter was a result of normal business activities. The Bank's liquid asset buffer is well in excess of its total net cash outflows.

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

Funding

The Bank continuously monitors and analyzes the possibilities for accessing less expensive and more flexible funding. The deposit strategy remains a priority for the Bank, which continues to prefer deposits to institutional funding. The table below presents the residual contractual maturities of the Bank's wholesale funding. The information has been presented in accordance with the categories recommended by the EDTF for comparison purposes with other banks.

Residual Contractual Maturities of Wholesale Funding⁽¹⁾

(millions of Canadian dollars)	As at January 31, 2020							
	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⁾	782	7	13	8	810	15	–	825
Certificates of deposit and commercial paper ⁽³⁾	2,394	3,640	3,063	1,745	10,842	–	–	10,842
Senior unsecured medium-term notes ⁽⁴⁾	–	2,101	2,997	1,645	6,743	1,801	7,331	15,875
Senior unsecured structured notes	–	–	–	255	255	–	3,491	3,746
Covered bonds and asset-backed securities								
Mortgage securitization	–	999	1,147	1,719	3,865	3,184	13,775	20,824
Covered bonds	–	–	–	357	357	3,404	5,704	9,465
Securitization of credit card receivables	–	874	–	–	874	37	–	911
Subordinated liabilities ⁽⁵⁾	–	–	–	–	–	–	774	774
	3,176	7,621	7,220	5,729	23,746	8,441	31,075	63,262
Secured funding	–	1,873	1,147	2,076	5,096	6,625	19,479	31,200
Unsecured funding	3,176	5,748	6,073	3,653	18,650	1,816	11,596	32,062
	3,176	7,621	7,220	5,729	23,746	8,441	31,075	63,262
As at October 31, 2019	3,187	6,098	7,217	6,925	23,427	9,362	30,746	63,535

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

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

(millions of Canadian dollars)	As at January 31, 2020	
	One-notch downgrade	Three-notch downgrade
Derivatives ⁽¹⁾	25	36

- (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, 2020 with comparative figures as at October 31, 2019. The information gathered from this maturity analysis is a component of liquidity and funding management. However, this maturity profile does not represent how the Bank manages its interest rate risk or its liquidity risk and funding needs. The Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows.

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

The Bank also has future minimum commitments under leases as well as for 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, 2020	
	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total	
Assets											
Cash and deposits with financial institutions	7,041	1,281	193	33	61	–	–	–	3,845	12,454	
Securities											
At fair value through profit or loss	1,150	2,066	987	298	918	3,674	6,977	6,629	50,452	73,151	
At fair value through other comprehensive income	1	41	2	–	1	2,561	4,451	1,816	615	9,488	
At amortized cost	44	127	313	734	326	2,961	4,894	261	–	9,660	
	1,195	2,234	1,302	1,032	1,245	9,196	16,322	8,706	51,067	92,299	
Securities purchased under reverse repurchase agreements and securities borrowed	3,649	1,053	926	–	–	1,324	–	–	4,737	11,689	
Loans⁽¹⁾											
Residential mortgage	678	1,242	3,012	2,748	2,463	10,670	33,274	3,724	686	58,497	
Personal	204	507	1,007	827	922	3,209	11,916	3,390	14,863	36,845	
Credit card									2,255	2,255	
Business and government	9,172	2,520	3,425	2,979	2,277	6,681	13,895	2,931	8,496	52,376	
Customers' liability under acceptances	5,792	1,078	1	–	–	–	–	–	–	6,871	
Allowances for credit losses									(693)	(693)	
	15,846	5,347	7,445	6,554	5,662	20,560	59,085	10,045	25,607	156,151	
Other											
Derivative financial instruments	849	1,142	490	216	419	754	1,986	3,109	–	8,965	
Investments in associates and joint ventures									387	387	
Premises and equipment									1,155	1,155	
Goodwill									1,413	1,413	
Intangible assets									1,420	1,420	
Other assets ⁽¹⁾	1,382	125	95	81	212	285	127	34	917	3,258	
	2,231	1,267	585	297	631	1,039	2,113	3,143	5,292	16,598	
	29,962	11,182	10,451	7,916	7,599	32,119	77,520	21,894	90,548	289,191	

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

(millions of Canadian dollars)	As at January 31, 2020									
	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	1,338	2,662	2,889	3,036	3,350	5,356	7,424	2,728	32,601	61,384
Business and government	22,504	8,757	7,861	3,179	3,021	5,971	12,077	6,382	61,125	130,877
Deposit-taking institutions	1,147	79	52	311	19	5	–	44	3,586	5,243
	24,989	11,498	10,802	6,526	6,390	11,332	19,501	9,154	97,312	197,504
Other										
Acceptances	5,792	1,078	1	–	–	–	–	–	–	6,871
Obligations related to securities sold short ⁽³⁾	208	221	177	47	15	926	2,784	4,432	3,453	12,263
Obligations related to securities sold under repurchase agreements and securities loaned	8,729	794	3,388	2,934	–	–	–	–	6,209	22,054
Derivative financial instruments	835	627	497	265	525	604	2,147	1,482	–	6,982
Liabilities related to transferred receivables ⁽⁴⁾	–	999	1,147	374	1,345	3,184	10,572	3,203	–	20,824
Securitization – Credit card ⁽⁵⁾	–	874	–	–	–	37	–	–	–	911
Lease liabilities ⁽⁵⁾	8	17	25	26	25	124	228	206	–	659
Other liabilities – Other items ⁽¹⁾⁽⁵⁾	1,679	206	137	5	149	38	77	291	2,346	4,928
	17,251	4,816	5,372	3,651	2,059	4,913	15,808	9,614	12,008	75,492
Subordinated debt	–	–	–	–	–	–	–	774	–	774
Equity									15,421	15,421
	42,240	16,314	16,174	10,177	8,449	16,245	35,309	19,542	124,741	289,191
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	173	325	1,173	869	1,926	1,050	87	–	–	5,603
Credit card receivables ⁽⁶⁾	–	–	–	–	–	–	–	–	7,731	7,731
Backstop liquidity and credit enhancement facilities ⁽⁷⁾	–	–	15	–	15	3,437	–	–	2,565	6,032
Commitments to extend credit ⁽⁸⁾	2,444	3,211	5,708	4,274	4,527	5,403	9,937	713	27,402	63,619
Obligations related to:										
Lease commitments ⁽⁹⁾	–	1	1	1	1	6	1	–	–	11
Other contracts ⁽¹⁰⁾	136	349	409	600	83	110	143	–	–	1,830

(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 \$3.4 billion.

(8) These amounts include \$36.7 billion that is unconditionally revocable at the Bank's discretion at any time.

(9) These amounts include leases for which the underlying asset is of low value and leases other than for real estate of less than one year.

(10) These amounts include \$0.3 billion in contractual commitments related to the head office building under construction.

(millions of Canadian dollars)

As at October 31, 2019

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Assets										
Cash and deposits with financial institutions	7,301	1,638	121	111	33	–	–	–	4,494	13,698
Securities										
At fair value through profit or loss	1,228	647	658	256	411	4,215	7,451	6,872	40,085	61,823
At fair value through other comprehensive income	36	14	26	5	1	3,213	4,749	1,982	622	10,648
At amortized cost	33	84	262	331	105	1,704	5,853	1,383	–	9,755
	1,297	745	946	592	517	9,132	18,053	10,237	40,707	82,226
Securities purchased under reverse repurchase agreements and securities borrowed	7,247	1,365	922	495	–	1,317	–	–	6,377	17,723
Loans⁽¹⁾										
Residential mortgage	734	1,161	1,959	3,093	2,893	10,674	32,601	3,375	681	57,171
Personal	253	430	803	972	843	3,367	11,576	3,407	15,293	36,944
Credit card									2,322	2,322
Business and government	8,469	2,771	2,995	3,203	2,222	6,016	13,445	2,771	8,707	50,599
Customers' liability under acceptances	6,138	710	45	–	–	–	–	–	–	6,893
Allowances for credit losses									(678)	(678)
	15,594	5,072	5,802	7,268	5,958	20,057	57,622	9,553	26,325	153,251
Other										
Derivative financial instruments	564	614	483	262	194	847	2,039	3,126	–	8,129
Investments in associates and joint ventures									385	385
Premises and equipment									490	490
Goodwill									1,412	1,412
Intangible assets									1,406	1,406
Other assets ⁽¹⁾	1,425	142	87	88	88	266	107	38	497	2,738
	1,989	756	570	350	282	1,113	2,146	3,164	4,190	14,560
	33,428	9,576	8,361	8,816	6,790	31,619	77,821	22,954	82,093	281,458

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

(millions of Canadian dollars)

As at October 31, 2019

	1 month or less	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specified maturity	Total
Liabilities and equity										
Deposits⁽¹⁾⁽²⁾										
Personal	1,716	1,983	3,045	2,696	3,042	6,105	7,276	2,606	31,596	60,065
Business and government	20,252	6,050	6,630	4,778	2,723	6,411	11,706	6,213	60,503	125,266
Deposit-taking institutions	711	69	79	29	275	–	5	46	3,021	4,235
	22,679	8,102	9,754	7,503	6,040	12,516	18,987	8,865	95,120	189,566
Other										
Acceptances	6,138	710	45	–	–	–	–	–	–	6,893
Obligations related to securities sold short ⁽³⁾	504	176	195	34	495	315	2,738	5,147	3,245	12,849
Obligations related to securities sold under repurchase agreements and securities loaned	7,493	1,281	2,881	2,743	–	–	–	–	7,502	21,900
Derivative financial instruments	793	763	556	292	214	712	1,959	1,563	–	6,852
Liabilities related to transferred receivables ⁽⁴⁾	–	1,491	995	881	375	3,640	10,623	3,307	–	21,312
Securitization – Credit card ⁽⁵⁾	–	–	874	–	–	–	37	–	–	911
Other liabilities – Other items ⁽¹⁾⁽⁵⁾	1,298	330	141	63	36	58	84	292	2,964	5,266
	16,226	4,751	5,687	4,013	1,120	4,725	15,441	10,309	13,711	75,983
Subordinated debt	–	–	–	–	–	–	–	773	–	773
Equity									15,136	15,136
	38,905	12,853	15,441	11,516	7,160	17,241	34,428	19,947	123,967	281,458
Off-balance-sheet commitments										
Letters of guarantee and documentary letters of credit	335	1,430	411	1,019	888	1,258	53	–	–	5,394
Credit card receivables ⁽⁶⁾	–	–	–	–	–	–	–	–	7,630	7,630
Backstop liquidity and credit enhancement facilities ⁽⁷⁾	–	15	3,017	15	–	–	–	–	2,608	5,655
Commitments to extend credit ⁽⁸⁾	1,916	4,552	4,103	5,064	4,019	4,258	10,326	784	27,102	62,124
Obligations related to:										
Lease commitments	8	17	26	27	26	99	249	239	–	691
Other contracts ⁽⁹⁾	158	289	523	423	380	198	257	–	–	2,228

(1) Amounts payable upon demand or notice are considered to have no specified maturity.

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(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 \$3.0 billion.

(8) These amounts include \$35.7 billion that is unconditionally revocable at the Bank's discretion at any time.

(9) These amounts include \$0.3 billion in contractual commitments related to the head office building under construction.

Risk Disclosures

One of the purposes of the *2019 Annual Report*, the *Report to Shareholders – First Quarter 2020*, 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.

		2019 Annual Report	Report to Shareholders ⁽¹⁾	Pages Supplementary Regulatory Capital and Pillar 3 Disclosure ⁽¹⁾
General				
1	Location of risk disclosures	12	35	
	Management's Discussion and Analysis	50 to 94, 107, 109 and 110	17 to 34	
	Consolidated Financial Statements	Notes 1, 7, 16, 23 and 29	Notes 7 and 13	
	Supplementary Financial Information			19 to 29 ⁽²⁾
	Supplementary Regulatory Capital and Pillar 3 Disclosure			5 to 48
2	Risk terminology and risk measures	58 to 94		
3	Top and emerging risks	63 to 67		
4	New key regulatory ratios	51 to 53, 80, 82 and 86	17, 18, 26, 29 and 64	
Risk governance and risk management				
5	Risk management organization, processes and key functions	58 to 76, 82 and 83		
6	Risk management culture	58 and 59		
7	Key risks by business segment, risk management and risk appetite	57 to 59 and 63		
8	Stress testing	50, 59, 71, 80, 81 and 83		
Capital adequacy and risk-weighted assets (RWA)				
9	Minimum Pillar 1 capital requirements	51 to 53	17 and 18	
10	Reconciliation of the accounting balance sheet to the regulatory balance sheet			7 to 13, 16 and 17
11	Movements in regulatory capital	55	19	
12	Capital planning	50 to 57		
13	RWA by business segment and by risk type	57		6
14	Capital requirements by risk and RWA calculation method	67 to 71		6
15	Banking book credit risk			6
16	Movements in RWA by risk type	56	20	6
17	Assessment of credit risk model performance	62, 68 to 70 and 75		31
Liquidity				
18	Liquidity management and components of the liquidity buffer	82 to 87	26 to 30	
Funding				
19	Summary of encumbered and unencumbered assets	84 and 85	28	
20	Residual contractual maturities of balance sheet items and off-balance-sheet commitments	203 to 207	31 to 34	
21	Funding strategy and funding sources	87 to 89	30	
Market risk				
22	Linkage of market risk measures to balance sheet	77 and 78	23 and 24	
23	Market risk factors	75 to 81, 191 and 192	24 to 26	
24	VaR: Assumptions, limitations and validation procedures	78 and 79		
25	Stress tests, stressed VaR and backtesting	75 to 81		
Credit risk				
26	Credit risk exposures	74 and 151 to 163	22 and 54 to 60	18 to 39 and 19 to 27 ⁽²⁾
27	Policies for identifying impaired loans	72, 126 and 127		
28	Movements in impaired loans and allowances for credit losses	107, 109, 110 and 151 to 163	54 to 60	24 to 26 ⁽²⁾
29	Counterparty credit risk relating to derivatives transactions	72, 73 and 171 to 174		33 to 40 and 28 ⁽²⁾ and 29 ⁽²⁾
30	Credit risk mitigation	70 to 72 and 148		20, 24 and 38 to 48
Other risks				
31	Other risks: Governance, measurement and management	66, 67 and 90 to 94		
32	Publicly known risk events	90	6	

(1) First quarter 2020.

(2) These pages are included in the document entitled *Supplementary Financial Information – First Quarter 2020*.

Accounting Policies and Financial Disclosure

Accounting Policies and Critical Accounting Estimates

The Bank's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements also comply with section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). None of the OSFI accounting requirements are exceptions to IFRS. The unaudited interim condensed consolidated financial statements for the quarter ended January 31, 2020 were prepared in accordance with IAS 34 – *Interim Financial Reporting* and using the same accounting policies described in Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2019, except for the changes described in Note 2 to the interim condensed consolidated financial statements, which have been applied since November 1, 2019 following the Bank's adoption of IFRS 16 – *Leases* as well as the early adoption of the amendments to IFRS 7 and IAS 39 arising from the interest rate benchmark reform.

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 95 to 100 of the *2019 Annual Report*.

Future Accounting Policy Changes

The Bank closely monitors both new accounting standards and amendments to existing accounting standards issued by the IASB. The Bank is currently assessing how adoption of new and amended IASB accounting standards will impact its consolidated financial statements. Aside from the adoption of IFRS 16 on November 1, 2019 and the early adoption of the amendments to IFRS 7 and IAS 39 arising from the interest rate benchmark reform, there have been no significant updates to the future accounting policy changes disclosed in Note 2 to the audited annual consolidated financial statements for the year ended October 31, 2019.

Financial Disclosure

During the first quarter of 2020, 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)

	2020	2019				2018			2019	2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Total	Total
Total revenues	1,923	1,915	1,948	1,770	1,799	1,814	1,792	1,754	7,432	7,166
Net income	610	604	608	558	552	566	569	547	2,322	2,232
Earnings per share (\$)										
Basic	1.69	1.68	1.68	1.52	1.51	1.53	1.54	1.46	6.39	6.01
Diluted	1.67	1.67	1.66	1.51	1.50	1.52	1.52	1.44	6.34	5.94
Dividends per common share (\$)	0.71	0.68	0.68	0.65	0.65	0.62	0.62	0.60	2.66	2.44
Return on common shareholders' equity (%)	18.0	18.2	18.7	17.8	17.2	17.8	18.4	18.6	18.0	18.4
Total assets	289,191	281,458	276,312	269,106	263,355	262,471	257,637	256,259		
Net impaired loans⁽¹⁾	436	450	420	379	373	404	413	382		
Per common share (\$)										
Book value	37.58	36.89	36.12	35.49	34.85	34.40	33.91	32.64		
Share price										
High	74.22	68.02	64.16	63.82	61.80	65.63	64.29	64.08		
Low	68.25	60.38	60.71	60.31	54.97	58.93	61.26	58.69		

(1) All loans classified in Stage 3 of the expected credit loss model are impaired loans; the net impaired loans presented in this table exclude POCI loans.