MANAGEMENT'S DISCUSSION & ANALYSIS

The Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the Bank's financial condition and results of operations as at and for the period ended April 30, 2019. The MD&A should be read in conjunction with the Bank's unaudited Condensed Interim Consolidated Financial Statements included in this Report to Shareholders, and the Bank's 2018 Annual Report. This MD&A is dated May 28, 2019.

Additional information relating to the Bank, including the Bank's 2018 Annual Report, is available on the Bank's website at www.scotiabank.com. As well, the Bank's 2018 Annual Report and Annual Information Form are available on SEDAR at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov.

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Forward-looking statements From time to time, our public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. In addition, representatives of the Bank may include forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include, but are not limited to, statements made in this document, the Management's Discussion and Analysis in the Bank's 2018 Annual Report under the headings "Outlook" and in other statements regarding the Bank's objectives, strategies to achieve those objectives, the regulatory environment in which the Bank operates, anticipated financial results, and the outlook for the Bank's businesses and for the Canadian, U.S. and global economies. Such statements are typically identified by words or phrases such as "believe," "expect," "foresee," "forecast," "anticipate," "intend," "estimate," "plan," "goal," "project," and similar expressions of future or conditional verbs, such as "will," "may," "should," "would" and "could."

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved.

We caution readers not to place undue reliance on these statements as a number of risk factors, many of which are beyond our control and effects of which can be difficult to predict, could cause our actual results to differ materially from the expectations, targets, estimates or intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; changes in currency and interest rates; increased funding costs and market volatility due to market illiquidity and competition for funding; the failure of third parties to comply with their obligations to the Bank and its affiliates; changes in monetary, fiscal, or economic policy and tax legislation and interpretation; changes in laws and regulations or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; changes to our credit ratings; operational and infrastructure risks; reputational risks; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services; our ability to execute our strategic plans, including the successful completion of acquisitions and dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; global capital markets activity; the Bank's ability to attract, develop and retain key executives; the evolution of various types of fraud or other criminal behaviour to which the Bank is exposed; disruptions in or attacks (including cyber-attacks) on the Bank's information technology, internet, network access, or other voice or data communications systems or services; increased competition in the geographic and in business areas in which we operate, including through internet and mobile banking and non-traditional competitors; exposure related to significant litigation and regulatory matters; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results, for more information, please see the "Risk Management" section of the Bank's 2018 Annual Report, as may be updated by quarterly reports.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2018 Annual Report under the headings "Outlook", as updated by quarterly reports. The "Outlook" sections are based on the Bank's views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing these sections. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities, and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. 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 or on its behalf.

Additional information relating to the Bank, including the Bank's Annual Information Form, can be located on the SEDAR website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov.

Non-GAAP Measures

The Bank uses a number of financial measures to assess its performance. Some of these measures are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), which are based on International Financial Reporting Standards (IFRS), are not defined by GAAP and do not have standardized meanings that would ensure consistency and comparability among companies using these or similar measures. The Bank believes that certain non-GAAP measures are useful in assessing ongoing business performance and provide readers with a better understanding of how management assesses performance. These non-GAAP measures are used throughout this report and defined below.

Adjusted results and diluted earnings per share

The following tables present reconciliations of GAAP Reported financial results to non-GAAP Adjusted financial results. The financial results have been adjusted for the following:

Acquisition and divestiture-related amounts – Acquisition and divestiture-related amounts are defined as:

A) Acquisition-related costs

1. Integration costs – Includes costs that are incurred and relate to integrating the acquired operations and are recorded in the Canadian and International Banking operating segments. These costs will cease once integration is complete. The costs relate to the following acquisitions:
    - Jarislowsky, Fraser Limited, Canada (*closed Q3, 2018*)
    - BBVA, Chile (*closed Q3, 2018*)
    - Citibank consumer and small and medium enterprise operations, Colombia (*closed Q3, 2018*)
    - MD Financial Management, Canada (*closed Q4, 2018*)
    - Banco Dominicano del Progreso, Dominican Republic (*closed Q2, 2019*)
    - Banco Cencosud, Peru (*closed Q2, 2019*)
2. Day 1 provision for credit losses on acquired performing financial instruments, as required by IFRS 9 and are recorded in the Canadian and International Banking operating segments. The standard does not differentiate between originated and purchased performing loans and as such, requires the same accounting treatment for both. These credit losses are considered Acquisition-related costs in periods where applicable. These costs relate to Banco Cencosud, Peru and Banco Dominicano del Progreso, Dominican Republic for Q2, 2019.
3. Amortization of Acquisition-related intangible assets, excluding software. These costs relate to the six acquisitions above, as well as prior acquisitions and are recorded in the Canadian and International Banking operating segments.

B) Net gain on divestitures – relates to the gain on divestitures of Scotia Crecer AFP and Scotia Seguros in the Dominican Republic that closed in Q2, 2019, and the loss on the sale of the insurance and banking operations in El Salvador announced this period. These amounts are recorded in the Other segment.

Reconciliation of reported and adjusted results and diluted earnings per share

	For the three months ended			For the six months ended	
($ millions)	**April 30 2019**	January 31 2019	April 30 2018	**April 30 2019**	April 30 2018
Reported Results					
Net interest income	**$ 4,193**	$ 4,274	$ 3,950	**$ 8,467**	$ 7,886
Non-interest income	**3,610**	3,330	3,108	**6,940**	6,260
Total revenue	**7,803**	7,604	7,058	**15,407**	14,146
Provision for credit losses	**873**	688	534	**1,561**	1,078
Non-interest expenses	**4,046**	4,171	3,726	**8,217**	7,224
Income before taxes	**2,884**	2,745	2,798	**5,629**	5,844
Income tax expense	**625**	498	621	**1,123**	1,330
Net income	**$ 2,259**	$ 2,247	$ 2,177	**$ 4,506**	$ 4,514
Net income attributable to non-controlling interests in subsidiaries (NCI)	**70**	111	70	**181**	128
Net income attributable to equity holders	**2,189**	2,136	2,107	**4,325**	4,386
Net income attributable to common shareholders	**2,125**	2,107	2,042	**4,232**	4,291
Diluted earnings per share *(in dollars)*	**$ 1.73**	$ 1.71	$ 1.70	**$ 3.44**	$ 3.56
Acquisition and divestiture-related amounts					
Day 1 provision for credit losses on acquired performing financial instruments[1]	**$ 151**	$ –	$ –	**$ 151**	$ –
Integration costs[2]	**25**	31	–	**56**	–
Amortization of Acquisition-related intangible assets, excluding software[2]	**28**	30	18	**58**	36
Acquisition-related costs	**204**	61	18	**265**	36
Net gain on divestitures[3]	**(173)**	–	–	**(173)**	–
Acquisition and divestiture-related amounts (Pre-tax)	**31**	61	18	**92**	36
Income tax expense/(benefit)	**(27)**	(17)	(5)	**(44)**	(10)
Acquisition and divestiture-related amounts (After tax)	**4**	44	13	**48**	26
Adjustment attributable to NCI	**(45)**	(5)	–	**(50)**	–
Acquisition and divestiture-related amounts (After tax and NCI)	**$ (41)**	$ 39	$ 13	**$ (2)**	$ 26
Adjusted Results					
Net interest income	**$ 4,193**	$ 4,274	$ 3,950	**$ 8,467**	$ 7,886
Non-interest income	**3,437**	3,330	3,108	**6,767**	6,260
Total revenue	**7,630**	7,604	7,058	**15,234**	14,146
Provision for credit losses	**722**	688	534	**1,410**	1,078
Non-interest expenses	**3,993**	4,110	3,708	**8,103**	7,188
Income before taxes	**2,915**	2,806	2,816	**5,721**	5,880
Income tax expense	**652**	515	626	**1,167**	1,340
Net income	**$ 2,263**	$ 2,291	$ 2,190	**$ 4,554**	$ 4,540
Net income attributable to NCI	**115**	116	70	**231**	128
Net income attributable to equity holders	**2,148**	2,175	2,120	**4,323**	4,412
Net income attributable to common shareholders	**$ 2,084**	$ 2,146	$ 2,055	**$ 4,230**	$ 4,317
Adjusted diluted earnings per share					
Adjusted net income attributable to common shareholders	**$ 2,084**	$ 2,146	$ 2,055	**$ 4,230**	$ 4,317
Dilutive impact of share-based payment options and others	**39**	45	2	**83**	34
Adjusted net income attributable to common shareholders (diluted)	**$ 2,123**	$ 2,191	$ 2,057	**$ 4,313**	$ 4,351
Weighted average number of basic common shares outstanding *(millions)*	**1,224**	1,226	1,198	**1,225**	1,199
Dilutive impact of share-based payment options and others *(millions)*	**28**	29	5	**28**	16
Adjusted weighted average number of diluted common shares outstanding *(millions)*	**1,252**	1,255	1,203	**1,253**	1,215
Adjusted diluted earnings per share *(in dollars)*	**$ 1.70**	$ 1.75	$ 1.71	**$ 3.44**	$ 3.58
Impact of adjustments on diluted earnings per share *(in dollars)*	**$ (0.03)**	$ 0.04	$ 0.01	**$ –**	$ 0.02

(1) Recorded in provision for credit losses.
(2) Recorded in non-interest expenses.
(3) Recorded in non-interest income.

Reconciliation of reported and adjusted results and diluted earnings per share by business line

Canadian Banking[1]

($ millions)	For the three months ended April 30 2019	January 31 2019	April 30 2018	For the six months ended April 30 2019	April 30 2018
Reported Results					
Net interest income	**$ 1,990**	$ 2,036	$ 1,906	**$ 4,026**	$ 3,845
Non-interest income	**1,390**	1,379	1,325	**2,769**	2,689
Total revenue	**3,380**	3,415	3,231	**6,795**	6,534
Provision for credit losses	**252**	233	205	**485**	415
Non-interest expenses	**1,711**	1,730	1,641	**3,441**	3,246
Income before taxes	**1,417**	1,452	1,385	**2,869**	2,873
Income tax expense	**369**	379	368	**748**	754
Net income	**$ 1,048**	$ 1,073	$ 1,017	**$ 2,121**	$ 2,119
Net income attributable to non-controlling interests in subsidiaries (NCI)	**–**	–	–	**–**	–
Net income attributable to equity holders	**$ 1,048**	$ 1,073	$ 1,017	**$ 2,121**	$ 2,119
Adjustments for Acquisition-related costs					
Day 1 provision for credit losses on acquired performing financial instruments[2]	**$ –**	$ –	$ –	**$ –**	$ –
Integration costs[3]	**6**	7	–	**13**	–
Amortization of Acquisition-related intangible assets, excluding software[3]	**14**	14	7	**28**	14
Acquisition-related costs (Pre-tax)	**20**	21	7	**41**	14
Income tax expense/(benefit)	**(6)**	(5)	(2)	**(11)**	(4)
Acquisition-related costs (After tax)	**14**	16	5	**30**	10
Adjustment attributable to NCI	**–**	–	–	**–**	–
Acquisition-related costs (After tax and NCI)	**$ 14**	$ 16	$ 5	**$ 30**	$ 10
Adjusted Results					
Net interest income	**$ 1,990**	$ 2,036	$ 1,906	**$ 4,026**	$ 3,845
Non-interest income	**1,390**	1,379	1,325	**2,769**	2,689
Total revenue	**3,380**	3,415	3,231	**6,795**	6,534
Provision for credit losses	**252**	233	205	**485**	415
Non-interest expenses	**1,691**	1,709	1,634	**3,400**	3,232
Income before taxes	**1,437**	1,473	1,392	**2,910**	2,887
Income tax expense	**375**	384	370	**759**	758
Net income	**$ 1,062**	$ 1,089	$ 1,022	**$ 2,151**	$ 2,129
Net income attributable to NCI	**–**	–	–	**–**	–
Net income attributable to equity holders	**$ 1,062**	$ 1,089	$ 1,022	**$ 2,151**	$ 2,129

(1) Refer to Business Segment Review on page 13.
(2) Recorded in provision for credit losses.
(3) Recorded in non-interest expenses.

International Banking[1]

($ millions)	For the three months ended April 30 2019	January 31 2019	April 30 2018	For the six months ended April 30 2019	April 30 2018
Reported Results					
Net interest income	**$ 2,121**	$ 2,080	$ 1,758	**$ 4,201**	$ 3,465
Non-interest income	**1,235**	1,251	984	**2,486**	1,981
Total revenue	**3,356**	3,331	2,742	**6,687**	5,446
Provision for credit losses	**628**	470	340	**1,098**	684
Non-interest expenses	**1,710**	1,742	1,438	**3,452**	2,880
Income before taxes	**1,018**	1,119	964	**2,137**	1,882
Income tax expense	**249**	226	219	**475**	412
Net income	**$ 769**	$ 893	$ 745	**$ 1,662**	$ 1,470
Net income attributable to non-controlling interests in subsidiaries (NCI)	**69**	111	70	**180**	128
Net income attributable to equity holders	**$ 700**	$ 782	$ 675	**$ 1,482**	$ 1,342
Adjustments for Acquisition-related costs					
Day 1 provision for credit losses on acquired performing financial instruments[2]	**$ 151**	$ –	$ –	**$ 151**	$ –
Integration costs[3]	**19**	24	–	**43**	–
Amortization of Acquisition-related intangible assets, excluding software[3]	**14**	16	11	**30**	22
Acquisition-related costs (Pre-tax)	**184**	40	11	**224**	22
Income tax expense/(benefit)	**(53)**	(12)	(3)	**(65)**	(6)
Acquisition-related costs (After tax)	**131**	28	8	**159**	16
Adjustment attributable to NCI	**(44)**	(5)	–	**(49)**	–
Acquisition-related costs (After tax and NCI)	**$ 87**	$ 23	$ 8	**$ 110**	$ 16
Adjusted Results					
Net interest income	**$ 2,121**	$ 2,080	$ 1,758	**$ 4,201**	$ 3,465
Non-interest income	**1,235**	1,251	984	**2,486**	1,981
Total revenue	**3,356**	3,331	2,742	**6,687**	5,446
Provision for credit losses	**477**	470	340	**947**	684
Non-interest expenses	**1,677**	1,702	1,427	**3,379**	2,858
Income before taxes	**1,202**	1,159	975	**2,361**	1,904
Income tax expense	**302**	238	222	**540**	418
Net income	**$ 900**	$ 921	$ 753	**$ 1,821**	$ 1,486
Net income attributable to NCI	**113**	116	70	**229**	128
Net income attributable to equity holders	**$ 787**	$ 805	$ 683	**$ 1,592**	$ 1,358

(1) Refer to Business Segment Review on page 16.
(2) Recorded in provision for credit losses.
(3) Recorded in non-interest expenses.

Other[1]

($ millions)	For the three months ended April 30 2019	January 31 2019	April 30 2018	For the six months ended April 30 2019	April 30 2018
Reported Results					
Net interest income	**$ (268)**	$ (214)	$ (76)	**$ (482)**	$ (176)
Non-interest income	**184**	(3)	6	**181**	(3)
Total revenue	**(84)**	(217)	(70)	**(301)**	(179)
Provision for credit losses	**(1)**	1	–	**–**	(1)
Non-interest expenses	**31**	54	82	**85**	(39)
Income before taxes	**(114)**	(272)	(152)	**(386)**	(139)
Income tax expense	**(136)**	(218)	(120)	**(354)**	(163)
Net income	**$ 22**	$ (54)	$ (32)	**$ (32)**	$ 24
Net income attributable to non-controlling interests in subsidiaries (NCI)	**1**	–	–	**1**	–
Net income attributable to equity holders	**$ 21**	$ (54)	$ (32)	**$ (33)**	$ 24
Adjustments for Net gain on divestitures[2]	**$ (173)**	$ –	$ –	**$ (173)**	$ –
Income tax expense	**32**	–	–	**32**	–
Net gain on divestitures (After tax)	**(141)**	–	–	**(141)**	–
Adjustment attributable to NCI	**(1)**	–	–	**(1)**	–
Net gain on divestitures (After tax and NCI)	**$ (142)**	$ –	$ –	**$ (142)**	$ –
Adjusted Results					
Net interest income	**$ (268)**	$ (214)	$ (76)	**$ (482)**	$ (176)
Non-interest income	**11**	(3)	6	**8**	(3)
Total revenue	**(257)**	(217)	(70)	**(474)**	(179)
Provision for credit losses	**(1)**	1	–	**–**	(1)
Non-interest expenses	**31**	54	82	**85**	(39)
Income before taxes	**(287)**	(272)	(152)	**(559)**	(139)
Income tax expense	**(168)**	(218)	(120)	**(386)**	(163)
Net income	**$ (119)**	$ (54)	$ (32)	**$ (173)**	$ 24
Net income attributable to NCI	**2**	–	–	**2**	–
Net income attributable to equity holders	**$ (121)**	$ (54)	$ (32)	**$ (175)**	$ 24

(1) Refer to Business Segment Review on page 21.
(2) Recorded in non-interest income.

Reconciliation of International Banking's reported results and constant dollar results

International Banking business segment results are analyzed on a constant dollar basis, refer to page 17. Under the constant dollar basis, prior period amounts are recalculated using current period average foreign currency rates. The following table presents the reconciliation between reported and constant dollar results for International Banking for prior periods.

($ millions)	For the three months ended January 31, 2019			April 30, 2018			For the six months ended April 30, 2018		
(Taxable equivalent basis)	Reported	Foreign exchange	Constant dollar	Reported	Foreign exchange	Constant dollar	Reported	Foreign exchange	Constant dollar
Net interest income	$ 2,080	$ (30)	$ 2,110	$ 1,758	$ (3)	$ 1,761	$ 3,465	$ (24)	$ 3,489
Non-interest income	1,251	(28)	1,279	984	1	983	1,981	2	1,979
Total revenue	3,331	(58)	3,389	2,742	(2)	2,744	5,446	(22)	5,468
Provision for credit losses	470	(8)	478	340	4	336	684	4	680
Non-interest expenses	1,742	(21)	1,763	1,438	7	1,431	2,880	1	2,879
Income tax expense	226	(6)	232	219	(3)	222	412	(7)	419
Net income	$ 893	$ (23)	$ 916	$ 745	$(10)	$ 755	$ 1,470	$ (20)	$ 1,490
Net income attributable to non-controlling interest in subsidiaries	$ 111	$ 1	$ 110	$ 70	$ (1)	$ 71	$ 128	$ (1)	$ 129
Net income attributable to equity holders of the Bank	$ 782	$ (24)	$ 806	$ 675	$ (9)	$ 684	$ 1,342	$ (19)	$ 1,361
Other measures									
Average assets *($ billions)*	$ 197	$ –	$ 197	$ 160	$ (1)	$ 161	$ 157	$ (2)	$ 159
Average liabilities *($ billions)*	$ 154	$ (2)	$ 156	$ 124	$ (1)	$ 125	$ 120	$ (2)	$ 122

The above table is computed on a basis that is different than the table "*Impact of foreign currency translation*" in Group Financial Performance on page 10.

Core banking assets

Core banking assets are average earning assets excluding bankers' acceptances and average trading assets within Global Banking and Markets.

Core banking margin

This ratio represents net interest income divided by core banking assets.

Return on equity

Return on equity is a profitability measure that presents the net income attributable to common shareholders as a percentage of average common shareholders' equity.

In the first quarter of 2019, in line with OSFI's increased Domestic Stability Buffer requirements, the Bank increased its attributed capital to the business line to approximately 10.0% of Basel III common equity capital requirements based on credit, market and operational risks and leverage inherent in each business segment. Previously, capital was attributed based on a methodology that approximated 9.5% of Basel III common equity capital requirements.

Return on equity for the business segments is calculated as a ratio of net income attributable to common shareholders of the business segment and the capital attributed. Prior period returns on equity for the business segments have not been restated.

Group Financial Performance

The Bank's reported net income this quarter was $2,259 million compared to $2,177 million in the same period last year, and $2,247 million last quarter. Diluted earnings per share were $1.73 compared to $1.70 in the same period last year and $1.71 last quarter. Return on equity was 13.8% compared to 14.9% last year and 13.5% last quarter.

This quarter's net income includes Acquisition and divestiture-related amounts of $4 million after tax ($31 million pre-tax), representing Acquisition-related costs of $145 million after tax ($204 million pre-tax) and a Net gain on divestitures of $141 million after tax ($173 million pre-tax). Adjusting for Acquisition and divestiture-related amounts, net income was $2,263 million compared to $2,190 million last year, up 3%. Adjusted diluted earnings per share was $1.70, impacted 3 cents from Acquisition and divestiture-related amounts, and declined 1% compared to $1.71 last year. Adjusted return on equity was 13.6% compared to 15.0% a year ago.

Adjusted net income was $2,263 million this quarter compared to $2,291 million last quarter. Adjusted diluted earnings per share was $1.70 compared to $1.75 last quarter, and Adjusted return on equity was 13.6% compared to 13.7% last quarter.

Impact of foreign currency translation

The table below reflects the estimated impact of foreign currency translation on key income statement items and is computed on a basis that is different than the table "*Constant dollar*" in Non-GAAP Measures on page 8.

	Average exchange rate			% Change	
For the three months ended	**April 30, 2019**	January 31, 2019	April 30, 2018	April 30, 2019 vs. January 31, 2019	April 30, 2019 vs. April 30, 2018
U.S dollar/Canadian dollar	**0.751**	0.751	0.784	(0.0)%	(4.3)%
Mexican Peso/Canadian dollar	**14.360**	14.887	14.538	(3.5)%	(1.2)%
Peruvian Sol/Canadian dollar	**2.485**	2.522	2.543	(1.5)%	(2.3)%
Colombian Peso/Canadian dollar	**2,354**	2,396	2,216	(1.7)%	6.3%
Chilean Peso/Canadian dollar	**499.097**	509.759	471.236	(2.1)%	5.9%

	Average exchange rate		% Change
For the six months ended	**April 30, 2019**	April 30, 2018	April 30, 2019 vs. April 30, 2018
U.S dollar/Canadian dollar	**0.751**	0.788	(4.7)%
Mexican Peso/Canadian dollar	**14.628**	14.792	(1.1)%
Peruvian Sol/Canadian dollar	**2.504**	2.551	(1.8)%
Colombian Peso/Canadian dollar	**2,375**	2,277	4.3%
Chilean Peso/Canadian dollar	**504.515**	482.791	4.5%

	For the three months ended		For the six months ended
Impact on net income[(1)] *($ millions except EPS)*	April 30, 2019 vs. April 30, 2018	April 30, 2019 vs. January 31, 2019	April 30, 2019 vs. April 30, 2018
Net interest income	$ (5)	$ 26	$ 24
Non-interest income[(2)]	–	14	21
Non-interest expenses	7	(26)	(17)
Other items (net of tax)	5	(12)	2
Net income	$ 7	$ 2	$ 30
Earnings per share (diluted)	$ 0.01	$ –	$ 0.02
Impact by business line *($ millions)*			
Canadian Banking	$ 3	$ –	$ 5
International Banking[(2)]	(4)	5	27
Global Banking and Markets	10	(3)	29
Other[(2)]	(2)	–	(31)
Net income	$ 7	$ 2	$ 30

(1) Includes the impact of all currencies.
(2) Includes the impact of foreign currency hedges.

Financial performance commentary

Net income

Q2 2019 vs Q2 2018

Net income was $2,259 million compared to $2,177 million, an increase of $82 million or 4%. Adjusting for Acquisition and divestiture-related amounts, net income was $2,263 million compared to $2,190 million, up $73 million or 3%. Higher net interest income and non-interest income were partly offset by higher non-interest expenses, provision for credit losses and income taxes.

Q2 2019 vs Q1 2019

Net income was $2,259 million compared to $2,247 million, an increase of $12 million or 1%. Adjusting for Acquisition and divestiture-related amounts, net income was $2,263 million compared to $2,291 million, down 1%. Lower net interest income, higher provision for credit losses, and higher income taxes were partly offset by higher non-interest income and lower non-interest expenses.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net income was $4,506 million compared to $4,514 million, a decrease of $8 million. Adjusting for Acquisition and divestiture-related amounts, net income was $4,554 million compared to $4,540 million, an increase of $14 million. Higher net interest income and non-interest income, as well as lower income taxes and the favourable impact of foreign currency translation were partly offset by higher non-interest expenses and higher provision for credit losses. The prior year's earnings included an accounting benefit from the remeasurement of an employee benefit liability from certain plan modifications ("benefits remeasurement") of $150 million ($203 million pre-tax).

Net interest income

Q2 2019 vs Q2 2018

Net interest income was $4,193 million, an increase of $243 million or 6%, mostly from the impact of acquisitions. Also contributing to the increase was growth in commercial and retail lending in International Banking, deposit growth in Canadian Banking, as well as higher corporate loans in Global Banking and Markets. These increases were offset by lower contribution from asset/liability management activities.

The core banking margin was down two basis points to 2.45%. Higher margins due to the change in business mix from the impact of acquisitions in International Banking and higher margins in Canadian Banking were more than offset by lower margins in Global Banking and Markets and lower spreads on asset/liability management activities.

Q2 2019 vs Q1 2019

Net interest income was $4,193 million, a decrease of $81 million or 2%. Volume growth in commercial and retail lending in International Banking primarily from the impact of acquisitions, deposit growth in Canadian Banking, corporate loan growth in Global Banking and Markets and the favourable impact of foreign currency translation were more than offset by the impact of three fewer days in the quarter.

The core banking margin was flat at 2.45%. Higher margins in International Banking and Canadian Banking were offset by lower margins in Global Banking and Markets and lower spreads on asset/liability management activities.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net interest income was $8,467 million, an increase of $581 million or 7%, mainly from the impact of acquisitions. Also contributing to the increase was growth in commercial and retail lending in International Banking, improved deposit spreads and volume growth in Canadian Banking, as well as higher corporate loans in Global Banking and Markets and the favourable impact of foreign currency translation.

The core banking margin was 2.45%, down one basis point. The change in business mix from the impact of acquisitions in International Banking and higher margins in Canadian Banking were more than offset by lower margins in Global Banking and Markets and lower spreads on asset/liability management activities.

Non-interest income

Q2 2019 vs Q2 2018

Non-interest income was $3,610 million, up $502 million or 16%. Adjusting for the Net gain on divestitures of $173 million, non-interest income increased $329 million or 11%, with approximately three quarters of this growth driven by acquisitions. The growth was driven by higher banking revenues, wealth management and underwriting fees, and higher income from associated corporations. These were partly offset by the impact of the new revenue accounting standard that requires card expenses to be netted against card revenue, prospectively, and the benefit from an additional month of income from the Alignment of reporting periods of the Canadian insurance business and of the operations in Chile, with the Bank last year ("Alignment of reporting period").

Q2 2019 vs Q1 2019

Non-interest income was up $280 million or 8%. Adjusting for the Net gain on divestitures, non-interest income grew by $107 million or 3%. The growth was driven by higher wealth management fees, banking revenues, trading revenues, net gain on investment securities and income from associated corporations, as well as increased contributions from acquisitions. These were partly offset by lower insurance revenues as well as the impact of the Alignment of reporting period of Peru last quarter.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest income was $6,940 million, up $680 million or 11%. Adjusting for Net gain on divestitures, non-interest income increased $507 million or 8%, mainly from acquisitions. The remaining growth was driven by higher banking revenues, higher income from associated corporations and the positive impact from foreign currency translation. These were partly offset by lower trading revenues, underwriting fees and lower gains on the sale of real estate, as well as the impact of the new accounting revenue standard that requires card expenses to be netted against card revenue.

Provision for credit losses

Q2 2019 vs Q2 2018

The provision for credit losses was $873 million compared to $534 million, an increase of $339 million or 63%. Adjusting for the Day 1 provision on acquired performing loans, provision for credit losses was $722 million, an increase of $188 million or 35%.

Provision on impaired loans was $700 million, up $105 million due primarily to higher retail provisions in line with loan growth and the impact of acquisitions in International Banking during the past year, partially offset by lower commercial provisions. The provision for credit losses ratio on impaired loans was 49 basis points, an increase of three basis points.

Provision on performing loans was $173 million compared to a reversal of $61 million. Adjusting for the Day 1 provision on acquired performing loans, provision on performing loans was $22 million, up $83 million due primarily to the movement of hurricane-related provisions to provision on impaired loans last year, less favourable macro-economic inputs mainly in Canada and loan growth, partially offset by improving credit quality.

The provision for credit losses was 61 basis points compared to 42 basis points. Adjusting for the Day 1 provision on acquired performing loans, the provision for credit losses ratio increased nine basis points to 51 basis points.

Q2 2019 vs Q1 2019

The provision for credit losses was $873 million compared to $688 million. Adjusting for the Day 1 provision on acquired performing loans, provision for credit losses increased $34 million or 5%.

Provision on impaired loans increased $21 million, due primarily to higher retail provisions in Canadian Banking and commercial provisions in International Banking, partially offset by higher provision for a fraud-related commercial account in Canadian Banking last quarter. The provision for credit losses ratio on impaired loans was 49 basis points, an increase of two basis points. Provision on performing loans was $173 million compared to $9 million, up $164 million. Adjusting for the Day 1 provision on acquired performing loans, provision for performing loans increased $13 million, driven by loan growth across business lines and the impact of less favourable macro-economic inputs across jurisdictions, partially offset by improving credit quality. The provision for credit losses ratio increased 14 basis points to 61 basis points, and increased four basis points to 51 basis points on an adjusted basis.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The provision for credit losses was $1,561 million, compared to $1,078 million. Adjusting for the Day 1 provision on acquired performing loans, provision for credit losses increased $332 million or 31%.

The provision on impaired loans was $1,379 million, an increase of $220 million relating primarily to retail portfolios in International Banking, mainly in Latin America, due to the impact of acquisitions during the past year, partially offset by lower commercial provisions. The provision for credit losses ratio on impaired loans was 48 basis points, an increase of three basis points.

Provision on performing loans was $182 million, compared to a reversal of $81 million. Adjusting for the Day 1 provision on acquired performing loans, provision for performing loans increased $112 million due primarily to the movement of hurricane-related provisions to provision on impaired loans last year, less favourable macro-economic inputs mainly in Canada and loan growth, partially offset by improving credit quality. The provision for credit losses ratio increased 12 basis points to 54 basis points, and increased seven basis points to 49 basis points on an adjusted basis.

Non-interest expenses

Q2 2019 vs Q2 2018

Non-interest expenses were $4,046 million, up $320 million or 9%. Adjusting for Acquisition-related costs, non-interest expenses were up $285 million or 8%. Higher non-interest expenses from the impact of acquisitions, partly offset by the impact of the new revenue accounting standard that requires card expenses to be netted against card revenues, contributed approximately 7% of the growth. The remaining increase was due to higher salaries and benefits related to regulatory and technology initiatives and higher depreciation and amortization. This was partly offset by lower performance-based compensation and lower professional fees.

The productivity ratio was 51.8% compared to 52.8%. Adjusting for Acquisition and divestiture-related amounts, the productivity ratio was 52.3% compared to 52.5%.

Q2 2019 vs Q1 2019

Non-interest expenses were down $125 million or 3%. Adjusting for Acquisition-related costs, non-interest expenses were down $117 million. This was due to lower share-based payments for employees that are eligible to retire which is expensed in the first quarter, lower performance-based compensation, lower business taxes and professional fees. This was partly offset by higher non-interest expenses related to the impact of acquisitions and the negative impact of foreign currency translation.

The productivity ratio was 51.8% compared to 54.9%. Adjusting for Acquisition and divestiture-related amounts, the productivity ratio was 52.3% compared to 54.1%.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest expenses increased $993 million or 14%. Adjusting for Acquisition-related costs, non-interest expenses were up $915 million or 13%. The prior year's benefits remeasurement, the impact of acquisitions and the impact of the new revenue accounting standard that requires card expenses to be netted against card revenues, contributed approximately 9% of the growth. The remaining 4% growth was due to investments in technology and regulatory initiatives, higher depreciation and amortization, and higher business and capital taxes. This was partly offset by lower performance-based compensation and professional fees.

The productivity ratio was 53.3% compared to 51.1%. Adjusting for Acquisition and divestiture-related amounts and the impact of prior year's benefits remeasurement, the productivity ratio was 53.2% compared to 52.2%.

Operating leverage on a reported basis was negative 4.8%. Adjusting for Acquisition and divestiture-related amounts, operating leverage was negative 5.0%. The benefits remeasurement negatively impacted operating leverage by 3.1%.

Taxes

Q2 2019 vs Q2 2018

The effective tax rate was 21.7%, lower than 22.2%, due primarily to higher tax-exempt income and lower taxes related to gains on dispositions of foreign subsidiaries this quarter.

Q2 2019 vs Q1 2019

The effective tax rate increased to 21.7% from 18.1%, due primarily to higher tax benefits in certain jurisdictions in the previous quarter, partially offset by lower taxes related to gains on dispositions of foreign subsidiaries in the current quarter.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The effective tax rate was 20.0%, down from 22.8%, due primarily to higher tax benefits in certain jurisdictions and lower taxes related to gains on dispositions of foreign subsidiaries in the current period.

Business Segment Review

Business segment results are presented on a taxable equivalent basis, adjusted for the following:

- The Bank analyzes revenues on a taxable equivalent basis (TEB) for business lines. This methodology grosses up tax-exempt income earned on certain securities reported in either net interest income or non-interest income to an equivalent before tax basis. A corresponding increase is made to the provision for income taxes; hence, there is no impact on net income. Management believes that this basis for measurement provides a uniform comparability of net interest income and non-interest income arising from both taxable and non-taxable sources and facilitates a consistent basis of measurement. While other banks may also use TEB, their methodology may not be comparable to the Bank's methodology. A segment's revenue and provision for income taxes are grossed up by the taxable equivalent amount. The elimination of the TEB gross-up is recorded in the Other segment.
- For business line performance assessment and reporting, net income from associated corporations, which is an after tax number, is adjusted to normalize for income taxes. The tax normalization adjustment grosses up the amount of net income from associated corporations and normalizes the effective tax rate in the business lines to better present the contribution of the associated corporations to the business line results.

Canadian Banking[1]

	For the three months ended			For the six months ended	
(Unaudited) ($ millions) *(Taxable equivalent basis)*	**April 30 2019**	January 31 2019	April 30 2018	**April 30 2019**	April 30 2018
Net interest income	**$ 1,990**	$ 2,036	$ 1,906	**$ 4,026**	$ 3,845
Non-interest income[2][3]	**1,390**	1,379	1,325	**2,769**	2,689
Total revenue	**3,380**	3,415	3,231	**6,795**	6,534
Provision for credit losses	**252**	233	205	**485**	415
Non-interest expenses	**1,711**	1,730	1,641	**3,441**	3,246
Income tax expense	**369**	379	368	**748**	754
Net income	**$ 1,048**	$ 1,073	$ 1,017	**$ 2,121**	$ 2,119
Net income attributable to non-controlling interest in subsidiaries	**–**	–	–	**–**	–
Net income attributable to equity holders of the Bank	**$ 1,048**	$ 1,073	$ 1,017	**$ 2,121**	$ 2,119
Other financial data and measures					
Return on equity	**18.4%**	18.1%	22.7%	**18.3%**	23.5%
Net interest margin[4]	**2.46%**	2.44%	2.43%	**2.45%**	2.42%
Provision for credit losses – performing (Stage 1 and 2)	**$ 19**	$ 4	$ 1	**$ 23**	$ (9)
Provision for credit losses – impaired (Stage 3)	**$ 233**	$ 229	$ 204	**$ 462**	$ 424
Provision for credit losses as a percentage of average net loans and acceptances (annualized)	**0.30%**	0.27%	0.25%	**0.29%**	0.25%
Provision for credit losses on impaired loans as a percentage of average net loans and acceptances (annualized)	**0.28%**	0.27%	0.25%	**0.27%**	0.26%
Net write-offs as a percentage of average net loans and acceptances (annualized)	**0.28%**	0.28%	0.26%	**0.28%**	0.26%
Assets under administration *($ billions)*	**$ 381**	$ 360	$ 316	**$ 381**	$ 316
Assets under management *($ billions)*	**$ 239**	$ 225	$ 157	**$ 239**	$ 157
Average assets *($ billions)*	**$ 358**	$ 356	$ 339	**$ 357**	$ 337
Average liabilities *($ billions)*	**$ 281**	$ 274	$ 249	**$ 278**	$ 249

(1) Refer to Non-GAAP Measures on page 4 for adjusted results.
(2) Includes income (on a taxable equivalent basis) from investments in associated corporations for the three months ended April 30, 2019 – $18 (January 31, 2019 – $13; April 30, 2018 – $44) and for the six months ended April 30, 2019 – $31 (April 30, 2018 – $59).
(3) Includes one additional month of income relating to the Canadian insurance business of $34 (after-tax $25) in the second quarter of 2018.
(4) Net interest income (TEB) as percentage of average earning assets excluding bankers' acceptances.

Net income

Q2 2019 vs Q2 2018

Net income attributable to equity holders was $1,048 million, an increase of $31 million or 3%. Adjusting for Acquisition-related costs, net income was $1,062 million, an increase of 4%, due primarily to higher revenue driven by solid loan growth, strong deposit growth and the impact of acquisitions. This was partly offset by higher non-interest expenses, higher provision for credit losses, the prior year benefit from an additional month of income from the Alignment of reporting period, and lower gains on sale of real estate.

Q2 2019 vs Q1 2019

Net income attributable to equity holders decreased $25 million or 2%. Adjusting for Acquisition-related costs, net income declined 2% due primarily to lower net interest income driven by three fewer days in the quarter and higher provision for credit losses, partially offset by higher non-interest income and lower non-interest expenses.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net income attributable to equity holders was $2,121 million, in line with the prior year. Adjusting for Acquisition-related costs, net income was $2,151 million, an increase of 1%, due primarily to higher revenue driven by solid volume growth and the impact of acquisitions. This was partly offset by higher non-interest expenses, higher provision for credit losses, the prior year gain on the reorganization of Interac and benefit from the Alignment of reporting period, and lower gains on sale of real estate.

Average assets

Q2 2019 vs Q2 2018

Average assets grew $19 billion or 6% to $358 billion. The growth included $5 billion or 2% in residential mortgages, $5 billion or 9% in business loans and acceptances, and $2 billion or 3% in personal loans.

Q2 2019 vs Q1 2019

Average assets rose $2 billion due primarily to growth in business loans and residential mortgages.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Average assets grew $20 billion or 6% to $357 billion. The growth included $5 billion or 2% in residential mortgages, $5 billion or 10% in business loans and acceptances, and $2 billion or 3% in personal loans.

Average liabilities

Q2 2019 vs Q2 2018

Average liabilities increased $32 billion or 13%, including strong growth of $14 billion or 8% in personal deposits and $11 billion or 15% in non-personal deposits.

Q2 2019 vs Q1 2019

Average liabilities increased $7 billion or 2%, including growth of $4 billion or 2% in personal deposits and $2 billion or 2% in non-personal deposits.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Average liabilities increased $29 billion or 12%, including strong growth of $13 billion or 8% in personal deposits and $10 billion or 14% in non-personal deposits.

Assets under management (AUM) and assets under administration (AUA)

Q2 2019 vs Q2 2018

AUA of $381 billion increased $65 billion or 21%, driven primarily by the impact of the prior year acquisitions and market appreciation. AUM of $239 billion increased $82 billion or 52% driven by the impact of prior year acquisitions and market appreciation.

Q2 2019 vs Q1 2019

AUA increased $21 billion or 6% and AUM increased $14 billion or 6% due primarily to market appreciation and net sales.

Net interest income

Q2 2019 vs Q2 2018

Net interest income of $1,990 million increased $84 million or 4%, largely reflecting volume growth in deposits, commercial loans and credit cards. The margin improved three basis points to 2.46%, driven primarily by deposit growth.

Q2 2019 vs Q1 2019

Net interest income declined $46 million or 2%, due primarily to three fewer days in the quarter. The margin improved two basis points to 2.46%, driven primarily by deposit growth.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net interest income of $4,026 million increased $181 million or 5%, reflecting improved spreads and volume growth in deposits, commercial loans and credit cards. The margin improved three basis points to 2.45%, driven primarily by the impact of prior interest rate increases by the Bank of Canada and deposit growth.

Non-interest income

Q2 2019 vs Q2 2018

Non-interest income of $1,390 million increased $65 million or 5%. Higher fee income from banking, wealth management, acquisitions and higher credit fees were partly offset by reduced net card revenue due to the impact of the new revenue accounting standard, the prior year benefit from the Alignment of reporting period, lower gains on sale of real estate and lower income from investment in associated corporations.

Q2 2019 vs Q1 2019

Non-interest income increased $11 million due mainly to higher wealth management and banking fees, as well as higher income from investment in associated corporations.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest income of $2,769 million increased $80 million or 3%. Higher banking, wealth management and credit fee income, including the impact of acquisitions, were partially offset by reduced net card revenue due to the impact of the new revenue accounting standard, the prior year gain on the reorganization of Interac, and benefit from the Alignment of reporting period, and lower gains on sale of real estate.

Provision for credit losses

Q2 2019 vs Q2 2018

The provision for credit losses was $252 million, compared to $205 million, up 23%. Provision on impaired loans was $233 million compared to $204 million, up 14% due primarily to higher retail provisions. The provision for credit losses ratio on impaired loans was 28 basis points, an increase of three basis points. Provision on performing loans increased $18 million to $19 million due primarily to higher retail provisions driven by loan growth and the impact of less favourable macro-economic inputs, partially offset by lower commercial provisions due to improving credit quality. The provision for credit losses ratio was 30 basis points, an increase of five basis points.

Q2 2019 vs Q1 2019

The provision for credit losses was $252 million, compared to $233 million, up 8%. Provision on impaired loans was $233 million, up 2% due primarily to higher retail provisions partially offset by lower commercial provisions as the prior quarter included provision for a fraud-related commercial account. The provision for credit losses ratio on impaired loans was 28 basis points, an increase of one basis point. Provision on performing loans increased $15 million to $19 million due primarily to higher retail provisions driven by loan growth and lower commercial provisions. The provision for credit losses ratio was 30 basis points, an increase of three basis points.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The provision for credit losses was $485 million, compared to $415 million. Provision on impaired loans was $462 million, up 9% due primarily to higher commercial provisions which included provision for a fraud-related commercial account and higher retail provisions. The provision for credit losses ratio on impaired loans was 27 basis points, an increase of 1 basis point. Provision on performing loans increased $32 million to $23 million driven by less favourable macro-economic inputs, partially offset by improving credit quality in the retail portfolio. The provision for credit losses ratio was 29 basis points, an increase of four basis points.

Non-interest expenses

Q2 2019 vs Q2 2018

Non-interest expenses were $1,711 million, up $70 million or 4%. Adjusting for Acquisition-related costs, expenses were $1,691 million, up 3% largely relating to the prior year acquisitions. Higher expenses in regulatory initiatives were offset by the benefits realized from cost-reduction initiatives and the impact of the new revenue accounting standard.

Q2 2019 vs Q1 2019

Non-interest expenses decreased $19 million or 1%. Adjusting for Acquisition-related costs, expenses were down 1% relating to three fewer days in the quarter.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest expenses were $3,441 million, up $195 million or 6%. Adjusting for Acquisition-related costs, expenses grew to $3,400 million, or 5% relating to the prior year acquisitions. Higher expenses in digital, technology and regulatory initiatives were partly offset by benefits realized from cost-reduction initiatives, and the impact of the new revenue accounting standard.

Taxes

The effective tax rate of 26.0% decreased slightly from 26.6% in the prior year and was in line with 26.1% in the prior quarter.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The effective tax rate of 26.1% was in line with the previous year of 26.3%.

International Banking[1]

(Unaudited) ($ millions) (Taxable equivalent basis)	For the three months ended April 30 2019	January 31 2019	April 30 2018	For the six months ended April 30 2019	April 30 2018
Net interest income	**$ 2,121**	$ 2,080	$ 1,758	**$ 4,201**	$ 3,465
Non-interest income[2][3]	**1,235**	1,251	984	**2,486**	1,981
Total revenue	**3,356**	3,331	2,742	**6,687**	5,446
Provision for credit losses[5]	**628**	470	340	**1,098**	684
Non-interest expenses	**1,710**	1,742	1,438	**3,452**	2,880
Income tax expense	**249**	226	219	**475**	412
Net income	**$ 769**	$ 893	$ 745	**$ 1,662**	$ 1,470
Net income attributable to non-controlling interest in subsidiaries	**$ 69**	$ 111	$ 70	**$ 180**	$ 128
Net income attributable to equity holders of the Bank	**$ 700**	$ 782	$ 675	**$ 1,482**	$ 1,342
Other financial data and measures					
Return on equity	**13.1%**	14.5%	16.3%	**13.8%**	16.4%
Net interest margin[4]	**4.58%**	4.52%	4.74%	**4.55%**	4.70%
Provision for credit losses – performing (Stage 1 and 2)[5]	**$ 156**	$ 19	$ (48)	**$ 175**	$ (50)
Provision for credit losses – impaired (Stage 3)	**$ 472**	$ 451	$ 388	**$ 923**	$ 734
Provision for credit losses as a percentage of average net loans and acceptances (annualized)	**1.71%**	1.28%	1.22%	**1.50%**	1.24%
Provision for credit losses on impaired loans as a percentage of average net loans and acceptances (annualized)	**1.29%**	1.23%	1.38%	**1.26%**	1.31%
Net write-offs as a percentage of average net loans and acceptances (annualized)	**1.26%**	1.34%	1.26%	**1.30%**	1.32%
Average assets *($ billions)*	**$ 203**	$ 197	$ 160	**$ 200**	$ 157
Average liabilities *($ billions)*	**$ 156**	$ 154	$ 124	**$ 155**	$ 120

(1) Refer to Non-GAAP Measures on page 4 for adjusted results.
(2) Includes income (on a taxable equivalent basis) from investments in associated corporations for the three months ended April 30, 2019 – $210 (January 31, 2019 – $161; April 30, 2018 – $156) and for the six months ended April 30, 2019 – $371 (April 30, 2018 – $289).
(3) Includes one additional month of earnings relating to Peru of $58 (After tax and NCI $41). The second quarter of 2018 includes one additional month of earnings related to Chile of $36 (After tax $26).
(4) Net interest income (TEB) as percentage of average earning assets excluding bankers' acceptances.
(5) Includes Day 1 provision for credit losses on acquired performing loans for the three and six months ended April 30, 2019 - $151 (April 30, 2018 – nil).

Net income

Q2 2019 vs Q2 2018

Net income attributable to equity holders of $700 million was up $25 million, or 4%. Adjusting for Acquisition and divestiture-related costs, net income increased to $787 million, up 15%. This growth was largely driven by higher net interest income due to strong loan growth in the Pacific Alliance countries, the impact of acquisitions, and higher non-interest income, including a higher contribution from associated corporations. This was partly offset by increased non-interest expenses and provision for credit losses, the benefit of Alignment of the reporting period of Chile with the Bank ("Alignment of reporting period") last year, and higher income taxes.

Q2 2019 vs Q1 2019

Net income attributable to equity holders decreased by $82 million or 11%. Adjusting for Acquisition and divestiture-related costs, net income decreased by $18 million or 2% largely driven by higher income taxes and last quarter's benefit of Alignment of reporting period of Peru with the Bank, partly offset by revenue growth and lower non-interest expenses.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net income attributable to equity holders of $1,482 million was up $140 million or 10%. Adjusting for Acquisition-related costs, net income increased to $1,592 million, up 17%. This growth was largely driven by higher net interest income due to strong loan growth in the Pacific Alliance countries, the impact of acquisitions, and higher non-interest income, including a higher contribution from associated corporations, partly offset by increased non-interest expenses and provision for credit losses.

Financial Performance on a Constant Dollar Basis

The discussion below on the results of operations is on a constant dollar basis that excludes the impact of foreign currency translation, which is a non-GAAP financial measure (refer to Non-GAAP Measures). The Bank believes that reporting in constant dollar is useful for readers in assessing ongoing business performance. Ratios are on a reported basis.

International Banking(1)

	For the three months ended			For the six months ended	
(Unaudited) ($ millions) *(Taxable equivalent basis)*	**April 30 2019**	January 31 2019	April 30 2018	**April 30 2019**	April 30 2018
Constant dollars					
Net interest income	**$ 2,121**	$ 2,110	$ 1,761	**$ 4,201**	$ 3,489
Non-interest income(2)(3)	**1,235**	1,279	983	**2,486**	1,979
Total revenue	**3,356**	3,389	2,744	**6,687**	5,468
Provision for credit losses(4)	**628**	478	336	**1,098**	680
Non-interest expenses	**1,710**	1,763	1,431	**3,452**	2,879
Income tax expense	**249**	232	222	**475**	419
Net income on constant dollar basis	**$ 769**	$ 916	$ 755	**$ 1,662**	$ 1,490
Net income attributable to non-controlling interest in subsidiaries on a constant dollar basis	**$ 69**	$ 110	$ 71	**$ 180**	$ 129
Net income attributable to equity holders of the Bank on a constant dollar basis	**$ 700**	$ 806	$ 684	**$ 1,482**	$ 1,361
Other financial data and measures					
Average assets *($ billions)*	**$ 203**	$ 197	$ 161	**$ 200**	$ 159
Average liabilities *($ billions)*	**$ 156**	$ 156	$ 125	**$ 155**	$ 122

(1) *Refer to Non-GAAP Measures on page 4 for adjusted results.*
(2) *Includes income (on a taxable equivalent basis) from investments in associated corporations for the three months ended April 30, 2019 – $210 (January 31, 2019 – $166; April 30, 2018 – $161) and for the six months ended April 30, 2019 – $371 (April 30, 2018 – $302).*
(3) *Includes one additional month of earnings relating to Peru of $58 (after tax and NCI $41) in the first quarter of 2019. Includes one additional month of earnings relating to Chile of $36 (after tax and NCI $26) in the second quarter of 2018.*
(4) *Includes Day 1 provision for credit losses on acquired performing loans for the three and six months ended April 30, 2019 – $151 (April 30, 2018 – nil)*

Net income

Q2 2019 vs Q2 2018

Net income attributable to equity holders of $700 million was up $16 million or 2%. Adjusting for Acquisition and divestiture-related costs, net income increased to $787 million, up 14%. This growth was largely driven by higher net interest income due to strong loan growth in the Pacific Alliance countries, the impact of acquisitions, and higher non-interest income, including a larger contribution from associated corporations. This was partly offset by increased non-interest expenses and provision for credit losses, the benefit of Alignment of the reporting period of Chile with the Bank last year, and higher income taxes.

Q2 2019 vs Q1 2019

Net income attributable to equity holders decreased by $106 million or 13%. Adjusting for Acquisition and divestiture-related costs, net income decreased by $42 million or 5% due to last quarter's benefit of the Alignment of reporting period of Peru with the Bank. Revenue growth and lower expenses were offset by lower tax benefits.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net income attributable to equity holders of $1,482 million was up $121 million or 9%. Adjusting for Acquisition and divestiture-related costs, net income increased to $1,592 million, or 16%. This growth was largely driven by higher net interest income due to strong loan growth in the Pacific Alliance countries, the impact of acquisitions, and higher non-interest income, including a higher contribution from associated corporations, partly offset by increased non-interest expenses and provision for credit losses.

Average assets

Q2 2019 vs Q2 2018

Average assets of $203 billion grew $42 billion or 26%, driven by strong loan growth of 29%, primarily in the Pacific Alliance countries, partly due to acquisitions. Retail and commercial loan growth were 31% and 27%.

Q2 2019 vs Q1 2019

Average assets increased 3%, driven by good loan growth in the Pacific Alliance and acquisitions in Peru and Dominican Republic. Commercial and retail loan growth were 3% and 2%, respectively.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Average assets of $200 billion increased $41 billion or 26%, driven by strong 29% loan growth, primarily in the Pacific Alliance, partly due to acquisitions. Retail and commercial loan growth were 31% and 27%, respectively.

Average liabilities

Q2 2019 vs Q2 2018

Average liabilities of $156 billion increased $31 billion with deposit growth of 16%, primarily in the Pacific Alliance, due in part to acquisitions.

Q2 2019 vs Q1 2019

Average liabilities were flat. Retail deposit growth of 3% was offset by a 2% decline in non-personal deposits.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Average liabilities of $155 billion increased $33 billion with deposit growth of 18%, primarily in Pacific Alliance, partly due to acquisitions. Retail deposit growth was 16% and non-personal deposit growth was 19%.

Net interest income

Q2 2019 vs Q2 2018

Net interest income was $2,121 million, up 20% driven by strong retail and commercial loan growth, of which approximately three-quarters was due to the impact of acquisitions. Net interest margin decreased 16 basis points to 4.58% due to the business mix impact of acquisitions and higher deposit rates in some Latin American countries.

Q2 2019 vs Q1 2019

Net interest income increased $11 million driven by good retail and commercial loan growth in the Pacific Alliance countries. Net interest margin increased by 6 bps driven by the business mix impact of acquisitions.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net interest income was $4,201 million, up 20% driven by strong retail and commercial loan growth in the Pacific Alliance countries, of which approximately two-thirds was due to the impact of acquisitions. The net interest margin decreased 15 basis points to 4.55% driven mainly by the business mix impact of acquisitions.

Non-interest income

Q2 2019 vs Q2 2018

Non-interest income was $1,235 million, up $252 million or 26% of which almost half was due to the impact of acquisitions. The remaining increase was driven by higher banking and credit card fees, contribution from associated corporations and trading revenues.

Q2 2019 vs Q1 2019

Non-interest income decreased $44 million or 3% due to the impact of the Alignment of reporting period of Peru with the Bank last quarter. Higher banking, wealth and credit card fees and a higher contribution from associated corporations, were partly offset by lower trading revenues and lower gains from financial instruments.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest income was $2,486 million, up $507 million or 26% of which approximately one-third was due to the impact of acquisitions. The remaining increase was driven by higher banking and credit card fees, contribution from associated corporations, and gain from the sale of foreclosed assets.

Provision for credit losses

Q2 2019 vs Q2 2018

The provision for credit losses was $628 million, compared to $336 million, up $292 million or 87%. Adjusting for the Day 1 provision on acquired performing loans, the provision for credit losses increased $141 million, up 42%. Provision on impaired loans increased $86 million due primarily to higher provisions in the retail portfolio driven by loan growth and acquisitions, partially offset by lower provisions in the commercial portfolio. The provision for credit losses ratio on impaired loans was 129 basis points, a decrease of nine basis points. Provision on performing loans was $156 million. Adjusting for the Day 1 provision on acquired performing loans, provision on performing loans increased $55 million, due primarily to the movement of hurricane-related provisions to provision on impaired loans last year and loan growth, partially offset by improving credit quality. The adjusted provision for credit losses ratio was 130 basis points, an increase of eight basis points.

Q2 2019 vs Q1 2019

The provision for credit losses was $628 million, compared to $478 million. Adjusting for the Day 1 provision on acquired loans, the provision for credit losses decreased by $1 million. Provision on impaired loans was up $13 million, as the prior quarter included higher recoveries in the commercial portfolio. The provision for credit losses ratio on impaired loans was 129 basis points, an increase of six basis points. Provision on performing loans was $156 million. Adjusting for the Day 1 provision on acquired performing loans, provision on performing loans decreased by $14 million due to improving credit quality in retail and commercial portfolios, partly offset by the impact of less favourable macro-economic inputs across certain jurisdictions. The adjusted provision for credit losses ratio was 130 basis points, an increase of two basis points.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The provision for credit losses was $1,098 million, compared to $680 million. Adjusting for the Day 1 provision on acquired performing loans, the provision for credit losses increased $267 million driven by higher retail provisions in line with asset growth and the impact of acquisitions during the past year, and higher commercial provisions. The provision for credit losses ratio on impaired loans was 126 basis points, a decrease of five basis points. Provision on performing loans was $175 million. Adjusting for the Day 1 provision on acquired performing loans, provision on performing loans increased by $77 million, due primarily to the movement of hurricane-related provisions to provision on impaired loans and higher releases for credit quality last year. The adjusted provision for credit losses ratio was 129 basis points, an increase of five basis points.

Non-interest expenses

Q2 2019 vs Q2 2018

Non-interest expenses increased $279 million or 19% to $1,710 million, of which more than three quarters was driven by acquisitions. The remaining increase was due to business volume growth, higher regulatory costs, and the impact of inflation.

Q2 2019 vs Q1 2019

Non-interest expenses decreased $53 million or 3% due mostly to seasonally higher expenses last quarter, partly offset by the impact of acquisitions.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest expenses increased $573 million or 20% to $3,452 million, of which approximately three quarters was driven by acquisitions. The remaining increase was due to business volume growth, higher regulatory costs, and the impact of inflation.

Taxes

The effective tax rate was 24.5% up from 22.7% last year and 20.2% last quarter, due primarily to lower tax benefits in Mexico this quarter.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The effective tax rate was 22.2%, compared to 21.9%.

Global Banking and Markets

	For the three months ended			For the six months ended	
(Unaudited) ($ millions) *(Taxable equivalent basis)*	**April 30 2019**	January 31 2019	April 30 2018	**April 30 2019**	April 30 2018
Net interest income	**$ 350**	$ 372	$ 362	**$ 722**	$ 752
Non-interest income	**801**	703	793	**1,504**	1,593
Total revenue	**1,151**	1,075	1,155	**2,226**	2,345
Provision for credit losses	**(6)**	(16)	(11)	**(22)**	(20)
Non-interest expenses	**594**	645	565	**1,239**	1,137
Income tax expense	**143**	111	154	**254**	327
Net income	**$ 420**	$ 335	$ 447	**$ 755**	$ 901
Net income attributable to non-controlling interest in subsidiaries	**$ –**	$ –	$ –	**$ –**	$ –
Net income attributable to equity holders of the Bank	**$ 420**	$ 335	$ 447	**$ 755**	$ 901
Other financial data and measures					
Return on equity	**15.2%**	11.5%	16.9%	**13.3%**	16.5%
Net interest margin[1]	**1.70%**	1.80%	1.80%	**1.75%**	1.90%
Provision for credit losses – performing (Stage 1 and 2)	**$ (2)**	$ (15)	$ (14)	**$ (17)**	$ (22)
Provision for credit losses – impaired (Stage 3)	**$ (4)**	$ (1)	$ 3	**$ (5)**	$ 2
Provision for credit losses as a percentage of average net loans and acceptances (annualized)	**(0.02)%**	(0.07)%	(0.05)%	**(0.05)%**	(0.05)%
Provision for credit losses on impaired loans as a percentage of average net loans and acceptances (annualized)	**(0.02)%**	(0.01)%	0.02%	**(0.01)%**	(0.05)%
Net write-offs as a percentage of average net loans and acceptances	**0.09 %**	– %	0.08%	**0.04 %**	0.07 %
Average assets *($ billions)*	**$ 361**	$ 364	$ 321	**$ 363**	$ 327
Average liabilities *($ billions)*	**$ 295**	$ 297	$ 269	**$ 296**	$ 272

(1) Net interest income (TEB) as percentage of average earning assets excluding bankers' acceptances.

Net income

Q2 2019 vs Q2 2018

Net income attributable to equity holders was $420 million, a decrease of $27 million or 6%. Lower net interest income, higher non-interest expenses, and lower recovery of provision for credit losses were partially offset by higher non-interest income, the favourable impact of foreign currency translation, and lower income taxes.

Q2 2019 vs Q1 2019

Net income attributable to equity holders increased by $85 million or 25%. This was due mainly to higher non-interest income and lower non-interest expenses, partly offset by lower net interest income, lower recovery of provision for credit losses, and higher income taxes.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net income attributable to equity holders decreased by $146 million or 16%. This was due mainly to lower non-interest income, higher non-interest expenses, and lower net interest income, partly offset by lower income taxes.

Average assets

Q2 2019 vs Q2 2018

Average assets were $361 billion, an increase of $40 billion or 13%. This was primarily driven by growth in securities purchased under resale agreements, business and government loans, trading securities, as well as the impact of foreign currency translation.

Q2 2019 vs Q1 2019

Average assets decreased $3 billion or 1% compared to the prior quarter due to lower deposits with banks and derivative-related assets.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Average assets were $363 billion, an increase of $36 billion or 11% due to growth in securities purchased under resale agreements, business and government loans, as well as the impact of foreign currency translation.

Average liabilities

Q2 2019 vs Q2 2018

Average liabilities of $295 billion were higher by $26 billion or 10% due to higher securities sold under repurchase agreements and deposits, as well as the impact of foreign currency translation.

Q2 2019 vs Q1 2019

Average liabilities decreased $2 billion or 1% due mainly to lower derivative-related liabilities.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Average liabilities were $296 billion, an increase of $24 billion or 9% due to higher securities sold under repurchase agreements and deposits, as well as the impact of foreign currency translation.

Net interest income

Q2 2019 vs Q2 2018

Net interest income of $350 million was down $12 million or 3%. This was due mainly to lower deposit margins partly offset by higher loan volumes. Lending margins were comparable to last year. The net interest margin decreased 10 basis points to 1.70%.

Q2 2019 vs Q1 2019

Net interest income decreased by $22 million or 6%. This was due to decreased deposit margins, partly offset by higher lending margins in US and Europe. The net interest margin was lower by 10 basis points from the prior quarter.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net interest income was down by $30 million or 4%. This was due to decreased lending margins in most of the regions and lower deposit margins. The net interest margin was down by 15 basis points to 1.75%.

Non-interest income

Q2 2019 vs Q2 2018

Non-interest income was $801 million, an increase of $8 million or 1% from prior year. This was due to higher fixed income trading revenues, underwriting and credit fees, partly offset by lower equity trading revenues and investment banking advisory fees.

Q2 2019 vs Q1 2019

Non-interest income was up $98 million or 14%. This was due mainly to higher underwriting fees and fixed income trading revenues.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest income was down $89 million or 6% driven primarily by lower trading-related revenue in the global equities business, lower underwriting and advisory fees, partly offset by higher trading related revenue in the global fixed income business and higher credit fees.

Provision for credit losses

Q2 2019 vs Q2 2018

The provision for credit losses increased $5 million due mainly to lower release of provision on performing loans primarily due to the impact of less favourable macro-economic inputs across jurisdictions. The provision for credit losses ratio was negative two basis points, an increase of three basis points.

Q2 2019 vs Q1 2019

The provision for credit losses was a net reversal of $6 million, compared to net reversal of $16 million last quarter. Provision on impaired loans had a net reversal of $5 million due primarily to reversal of provisions on the European and US portfolios. The provision for credit losses ratio on impaired loans was negative two basis points, a decrease of one basis point. Provision on performing loans was a net reversal of $1 million due primarily to improving credit quality in the energy sector partially offset by new provisions required to support volume growth. The provision for credit losses ratio was negative two basis points, an increase of five basis points.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The provision for credit losses decreased $2 million as impaired loan provision reversals in Europe and US were partially offset by lower release of provision on performing loans due primarily to less favourable macro-economic inputs across jurisdictions. The provision for credit losses ratio was negative five basis points, remains unchanged.

Non-interest expenses

Q2 2019 vs Q2 2018

Non-interest expenses of $594 million increased $29 million or 5%. This was due to higher regulatory and technology costs, and the unfavourable impact of foreign currency translation, partly offset by lower performance-based compensation.

Q2 2019 vs Q1 2019

Non-interest expenses decreased $51 million or 8%. This was driven mainly by lower share-based compensation for employees that are eligible to retire which is expensed in the first quarter, and lower performance-based compensation.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Non-interest expenses increased $102 million or 9% driven by higher regulatory and technology costs, higher share-based compensation, and the negative impact of foreign currency translation. This was partly offset by lower performance-based compensation.

Taxes

The effective tax rate for the quarter was 25.5% in line with 25.7% in the prior year, and increased from 25.0% in the prior quarter. This was due mainly to higher taxes in certain foreign jurisdictions.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

The effective tax rate was 25.2%, compared to 26.6%. The lower tax rate was due mainly to lower taxes in certain foreign jurisdictions. Last year included write-down of certain deferred tax assets as a result of U.S. tax reform.

Other[1][2]

	For the three months ended			For the six months ended	
(Unaudited) ($ millions) *(Taxable equivalent basis)*	**April 30 2019**	January 31 2019	April 30 2018	**April 30 2019**	April 30 2018
Business segment income					
Net interest income[3]	**$ (268)**	$ (214)	$ (76)	**$ (482)**	$ (176)
Non-interest income[3][4]	**184**	(3)	6	**181**	(3)
Total revenue	**(84)**	(217)	(70)	**(301)**	(179)
Provision for credit losses	**(1)**	1	–	**–**	(1)
Non-interest expenses	**31**	54	82	**85**	(39)
Income tax expense[3]	**(136)**	(218)	(120)	**(354)**	(163)
Net income	**$ 22**	$ (54)	$ (32)	**$ (32)**	$ 24
Net income attributable to non-controlling interest in subsidiaries	**$ 1**	$ –	$ –	**$ 1**	$ –
Net income attributable to equity holders	**$ 21**	$ (54)	$ (32)	**$ (33)**	$ 24
Other measures					
Average assets *($ billions)*	**$ 117**	$ 116	$ 121	**$ 116**	$ 117
Average liabilities *($ billions)*	**$ 238**	$ 239	$ 237	**$ 238**	$ 235

(1) Refer to Non-GAAP Measures on page 4 for adjusted results.
(2) Includes all other smaller operating segments and corporate adjustments, such as the elimination of the tax-exempt income gross-up reported in net interest income, non-interest income and provision for income taxes and differences in the actual amount of costs incurred and charged to the operating segments.
(3) Includes the elimination of the tax-exempt income gross-up reported in net interest income, non-interest income and provision for income taxes for the three months ended April 30, 2019 – $41 (January 31, 2019 – $34; April 30, 2018 – $27) and for six months ended April 30, 2019 – $75 (April 30, 2018 – $53) to arrive at the amounts reported in the Consolidated Statement of Income.
(4) Income (on a taxable equivalent basis) from investments in associated corporations and the provision for income taxes in each period include the tax normalization adjustments related to the gross-up of income from associated companies for the three months ended April 30, 2019 – $(58) (January 31, 2019 – $(45); April 30, 2018 – $(46)) and for the six months ended April 30, 2019 – $(103) (April 30, 2018 – $(84)).

The Other segment includes Group Treasury, smaller operating segments, Net gain on divestitures and other corporate items which are not allocated to a business line.

Net interest income, non-interest income, and the provision for income taxes in each period include the elimination of tax-exempt income gross-up. This amount is included in the operating segments, which are reported on a taxable equivalent basis.

Net income from investments in associated corporations and the provision for income taxes in each period include the tax normalization adjustments related to the gross-up of income from associated companies. This adjustment normalizes the effective tax rate in the divisions to better present the contribution of the associated companies to the divisional results.

Q2 2019 vs Q2 2018

Net income attributable to equity holders was $21 million. Adjusting for the Net gain on divestitures of $142 million ($173 million pre-tax), there was a net loss of $121 million, compared to $32 million in the same period last year. This was due mainly to lower contributions from asset/liability management activities, partly offset by higher gains on sale of investment securities, lower non-interest expenses and lower taxes.

Q2 2019 vs Q1 2019

Net income attributable to equity holders was $21 million. Adjusting for the Net gain on divestitures, there was a net loss of $121 million, compared to $54 million. This was primarily due to lower contributions from asset / liability management activities and higher income taxes, partly offset by higher gains on sale of investment securities and lower non-interest expenses.

Year-to-date Q2 2019 vs Year-to-date Q2 2018

Net loss attributable to equity holders was $33 million. Adjusting for the Net gain on divestitures, the net loss was $175 million, compared to net income of $24 million. The prior year had lower expenses primarily related to the benefits remeasurement of $150 million ($203 million pre-tax). The current period also reflects lower contributions from asset/ liability management activities.

Geographic Highlights

	For the three months ended			For the six months ended	
(Unaudited)	**April 30 2019[(1)]**	January 31 2019[(1)]	April 30 2018[(1)]	**April 30 2019[(1)]**	April 30 2018[(1)]
Geographic segment income (loss) *($ millions)*					
Canada	**$ 1,022**	$ 1,058	$ 1,142	**$ 2,080**	$ 2,456
United States	**225**	176	151	**401**	308
Mexico	**140**	182	160	**322**	325
Peru	**140**	211	156	**351**	320
Chile	**126**	117	99	**243**	199
Colombia	**31**	35	25	**66**	44
Caribbean and Central America	**298**	194	176	**492**	342
Other international	**207**	163	198	**370**	392
Net income (loss) attributable to equity holders of the Bank	**$ 2,189**	$ 2,136	$ 2,107	**$ 4,325**	$ 4,386
Average assets *($ billions)*					
Canada	**$ 595**	$ 590	$ 559	**$ 592**	$ 560
United States	**147**	147	126	**147**	121
Mexico	**37**	35	33	**36**	32
Peru	**27**	26	24	**26**	24
Chile	**52**	50	28	**51**	27
Colombia	**14**	13	12	**14**	12
Caribbean and Central America	**42**	41	40	**42**	40
Other international	**125**	131	119	**128**	122
Total	**$ 1,039**	$ 1,033	$ 941	**$ 1,036**	$ 938

(1) *Adjusting for the impact of Acquisition and divestiture-related amounts, Net income attributable to equity holders of the Bank for the three months ended April 30, 2019 was $2,148 (January 31, 2019 – $2,175; April 30, 2018 – $2,120); consisting of Canada $1,036 (January 31, 2019 – $1,084; April 30, 2018 – $1,147); Chile $140 (January 31, 2019 – $134; April 30, 2018 – $104); Colombia $32 (January 31, 2019 – $39; April 30, 2018 – $28); Peru $184 (January 31, 2019 - $212; April 30, 2018 - $157); Caribbean and Central America $186 (January 31, 2019 - $193; April 30, 2018 - $176) and for the six months ended April 30, 2019 was $4,323 (April 30, 2018 – $4,412).*

Quarterly Financial Highlights

	For the three months ended							
(Unaudited) ($ millions)	**April 30 2019[(1)]**	January 31 2019[(1)]	October 31 2018	July 31 2018	April 30 2018	January 31 2018	October 31 2017	July 31 2017
Reported results								
Net interest income	**$ 4,193**	$ 4,274	$ 4,220	$ 4,085	$ 3,950	$ 3,936	$ 3,831	$ 3,833
Non-interest income	**3,610**	3,330	3,228	3,096	3,108	3,152	2,981	3,061
Total revenue	**$ 7,803**	$ 7,604	$ 7,448	$ 7,181	$ 7,058	$ 7,088	$ 6,812	$ 6,894
Provision for credit losses	**873**	688	590	943	534	544	536	573
Non-interest expenses	**4,046**	4,171	4,064	3,770	3,726	3,498	3,668	3,672
Income tax expense	**625**	498	523	529	621	709	538	546
Net income	**$ 2,259**	$ 2,247	$ 2,271	$ 1,939	$ 2,177	$ 2,337	$ 2,070	$ 2,103
Basic earnings per share *($)*	**1.74**	1.72	1.72	1.60	1.70	1.88	1.66	1.68
Diluted earnings per share *($)*	**1.73**	1.71	1.71	1.55	1.70	1.86	1.64	1.66
Core banking margin *(%)*[(2)]	**2.45**	2.45	2.47	2.46	2.47	2.46	2.44	2.46
Effective tax rate *(%)*	**21.7**	18.1	18.7	21.5	22.2	23.3	20.6	20.6
Adjusted results[(2)]:								
Adjusted net income	**$ 2,263**	$ 2,291	$ 2,345	$ 2,259	$ 2,190	$ 2,350	$ 2,084	$ 2,117
Adjusted diluted earnings per share	**$ 1.70**	$ 1.75	$ 1.77	$ 1.76	$ 1.71	$ 1.87	$ 1.65	$ 1.68

(1) *The amounts for the period ended April 30, 2019 and January 31, 2019 have been prepared in accordance with IFRS 15; prior period amounts have not been restated (refer to Notes 3 and 4 in the condensed interim consolidated financial statements).*

(2) *Refer to page 4 for a discussion of Non-GAAP Measures.*

Trending analysis

Net income

The Bank reported strong net income over the past eight quarters. The earnings in the current quarter were impacted by Acquisition and divestiture-related amounts of $4 million ($31 million pre-tax), and third quarter of 2018 was reduced by Acquisition and divestiture-related amounts of $320 million ($453 million pre-tax).

The first quarter of 2018 included an accounting benefit of $150 million ($203 million pre-tax) from the remeasurement of an employee benefit liability from certain plan modifications.

Net interest income

Net interest income decreased slightly in the current period due to the impact of three fewer days in the quarter as well as lower contributions from asset/liability management activities. The net interest income increased through the period, driven by steady growth in retail and commercial loans across all three business lines, as well as the impact of acquisitions. Net interest margin has remained relatively stable over the period. The margin was 2.45% this quarter.

Non-interest income

Non-interest income has increased over the past few quarters, partly driven by acquisitions, the net gain on divestitures in the current quarter, and the Alignment of reporting period of a number of units within the Bank. Gains on sale of real estate and the sale of investment securities have moderated since 2017. The sale of the HollisWealth business in the fourth quarter of 2017 resulted in a gain that quarter and also contributed to lower wealth management fees in that period.

Provision for credit losses

Effective November 1, 2017, the Bank has adopted IFRS 9. Prior period amounts have not been restated and therefore, the provision for credit losses and related ratios are not directly comparable.

The provision for credit losses was $873 million in this quarter. Adjusting for the Day 1 provision on acquired performing loans, the provision for credit losses was $722 million this quarter. The provision for credit losses ratio was 61 basis points, an increase of 14 basis points from the prior quarter. Adjusting for the Day 1 provision on acquired performing loans, the provision for credit losses ratio was 51 basis points this quarter. The adjusted provision for credit losses ratio has increased over the past year, reflecting the change in business mix due to recent acquisitions and the impact of less favourable macro-economic indicators. Asset quality has remained strong despite increased lending activity.

Non-interest expenses

Non-interest expenses moderated this quarter but have generally trended upwards over the period, mostly to support business growth, the ongoing impact of acquisitions and the Bank's investments in technology, regulatory and strategic initiatives. The first quarter of 2018 included a benefits remeasurement of $203 million, reducing that quarter's expenses.

Income taxes

The effective tax rate was 21.7% this quarter, due primarily to higher tax rates in certain foreign jurisdictions, partly offset by higher tax benefits in certain jurisdictions. The effective tax rate averaged 21.0% over the period, with a range of 18.1% to 23.3%. Effective tax rates in other quarters were impacted by different levels of income earned in foreign tax jurisdictions, as well as the variability of tax-exempt dividend income.

Financial Position

The Bank's total assets as at April 30, 2019 were $1,058 billion, up $60 billion or 6% from October 31, 2018. Adjusting for the impact of foreign currency translation, total assets were up $46 billion. This increase was primarily in loans, trading securities and securities purchased under resale agreements and securities borrowed, partially offset by a decrease in cash and deposits with financial institutions.

Cash and deposits with financial institutions decreased $12 billion and derivative instrument assets decreased $6 billion, while trading securities increased by $18 billion and securities purchased under resale agreements and securities borrowed increased by $22 billion.

Investment securities increased $7 billion from October 31, 2018 due primarily to higher holdings of U.S. government debt and corporate debt. As at April 30, 2019, the net unrealized gain on debt securities measured at fair value through other comprehensive income of $344 million decreased to a net unrealized loss of $61 million, after the impact of qualifying hedges.

Loans increased $32 billion from October 31, 2018. Residential mortgages increased $7 billion due to growth in Canada and Latin America. Personal loans and credit cards were up $3 billion mainly in Latin America. Business and government loans increased $22 billion due primarily to growth in Latin America, the U.S. and Canada.

Other assets increased $3 billion due mainly to higher cash margin requirements.

Total liabilities were $988 billion as at April 30, 2019, up $57 billion or 6% from October 31, 2018. Adjusting for the impact of foreign currency translation, total liabilities were up $44 billion.

Total deposits increased $36 billion. Personal deposits grew by $10 billion primarily in Canada. Business and government deposits grew by $22 billion mainly in the U.S. and Latin America. Deposits from financial institutions increased $4 billion.

Obligations related to securities sold under repurchase agreements and securities lent increased by $23 billion which was in line with higher securities purchased under resale agreements and securities borrowed. Financial instruments designated at fair value through profit or loss increased $3 billion. Derivative instrument liabilities decreased $5 billion which was in line with the decrease in derivative instrument assets. Other liabilities increased $4 billion due primarily to other liabilities of subsidiaries.

Total shareholders' equity increased $2,567 million from October 31, 2018. This increase was driven mainly by current year earnings of $4,506 million and an increase in other comprehensive income of $934 million due mainly to an increase in unrealized foreign currency translation gains on the Bank's investments in its foreign operations. Partly offsetting were dividends paid of $2,197 million, the repurchase and cancellation of approximately 7 million common shares of $523 million and the redemption of preferred shares of $300 million.

Risk Management

The Bank's risk management policies, practices and emerging risks have not substantially changed from those outlined in the Bank's 2018 Annual Report. For a complete discussion of the risk management policies and practices and additional information on risk factors, refer to the "Risk Management" section in the 2018 Annual Report.

Credit risk

Allowance for credit losses

The total allowance for credit losses as at April 30, 2019 was $5,376 million. The allowance for credit losses on loans was $5,295 million, up $184 million from the prior quarter, due primarily to the impact of Day 1 provision for credit losses on acquired performing loans. The allowance on impaired loans decreased to $1,669 million from $1,680 million as at January 31, 2019, due primarily to write-offs net of recoveries during the quarter. The allowance against performing loans was higher at $3,626 million compared to $3,431 million as at January 31, 2019, due primarily to the impact of Day 1 provision for credit losses on acquired performing loans.

Impaired loans

Total gross impaired loans as at April 30, 2019 were $5,364 million, up from $5,287 million as at January 31, 2019, due largely to new formations in the retail portfolio in International Banking.

Net impaired loans in Canadian Banking were $707 million as at April 30, 2019, an increase of $16 million from January 31, 2019 mainly due to new formations in the commercial portfolio. International Banking's net impaired loans were $2,743 million as at April 30, 2019, an increase of $81 million from January 31, 2019 mainly due to new formations in the retail portfolios. In Global Banking and Markets, net impaired loans were $245 million as at April 30, 2019, a decrease of $8 million from January 31, 2019 due largely to resolutions during the quarter. Net impaired loans as a percentage of loans and acceptances were 0.61% as at April 30, 2019, unchanged from last quarter.

Overview of loan portfolio

The Bank has a well-diversified portfolio by product, business and geography. Details of certain portfolios of current focus are highlighted below.

Real estate secured lending

A large portion of the Bank's lending portfolio is comprised of residential mortgages and consumer loans, which are well diversified by borrower. As at April 30, 2019, these loans amounted to $376 billion or 63% of the Bank's total loans and acceptances outstanding (January 31, 2019 – $372 billion or 63%; October 31, 2018 – $366 billion or 64%). Of these, $282 billion or 75% are real estate secured loans (January 31, 2019 – $279 billion or 75%; October 31, 2018 – $274 billion or 75%). The tables below provide more details by portfolios.

Insured and uninsured mortgages and home equity lines of credit

The following table presents amounts of insured and uninsured residential mortgages and home equity lines of credit (HELOCs), by geographic areas.

	As at April 30, 2019											
	Residential mortgages						Home equity lines of credit					
	Insured[(1)]		Uninsured		Total		Insured[(1)]		Uninsured		Total	
($ millions)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Canada:[(2)]												
Atlantic provinces	**$ 5,882**	**2.7%**	**$ 5,292**	**2.5%**	**$ 11,174**	**5.2%**	**$ –**	**–%**	**$ 1,159**	**5.5%**	**$ 1,159**	**5.5%**
Quebec	**7,577**	**3.5**	**8,426**	**3.9**	**16,003**	**7.4**	**–**	**–**	**972**	**4.6**	**972**	**4.6**
Ontario	**40,913**	**18.9**	**69,311**	**31.9**	**110,224**	**50.8**	**–**	**–**	**11,295**	**53.6**	**11,295**	**53.6**
Manitoba & Saskatchewan	**5,496**	**2.5**	**3,981**	**1.8**	**9,477**	**4.3**	**1**	**–**	**766**	**3.6**	**767**	**3.6**
Alberta	**18,075**	**8.3**	**12,571**	**5.8**	**30,646**	**14.1**	**1**	**–**	**2,957**	**14.1**	**2,958**	**14.1**
British Columbia & Territories	**13,342**	**6.1**	**26,273**	**12.1**	**39,615**	**18.2**	**–**	**–**	**3,918**	**18.6**	**3,918**	**18.6**
Canada[(3)]	**$ 91,285**	**42%**	**$ 125,854**	**58%**	**$ 217,139**	**100%**	**$ 2**	**–%**	**$ 21,067**	**100%**	**$ 21,069**	**100%**
International	**–**	**–**	**43,447**	**100**	**43,447**	**100**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**$ 91,285**	**35%**	**$ 169,301**	**65%**	**$ 260,586**	**100%**	**$ 2**	**–%**	**$ 21,067**	**100%**	**$ 21,069**	**100%**
	As at January 31, 2019											
Canada[(3)]	$ 91,689	42.4%	$ 124,418	57.6%	$ 216,107	100%	$ 2	–%	$ 20,754	100%	$ 20,756	100%
International	–	–	42,542	100	42,542	100	–	–	–	–	–	–
Total	$ 91,689	35.4%	$ 166,960	64.6%	$ 258,649	100%	$ 2	–%	$ 20,754	100%	$ 20,756	100%
	As at October 31, 2018											
Canada[(3)]	$ 92,185	43.3%	$ 120,898	56.7%	$ 213,083	100%	$ 2	–%	$ 20,926	100%	$ 20,928	100%
International	–	–	40,274	100	40,274	100	–	–	–	–	–	–
Total	$ 92,185	36.4%	$ 161,172	63.6%	$ 253,357	100%	$ 2	–%	$ 20,926	100%	$ 20,928	100%

(1) *Default insurance is contractual coverage for the life of eligible facilities whereby the Bank's exposure to real estate secured lending is protected against potential shortfalls caused by borrower default. This insurance is provided by either government-backed entities or private mortgage insurers.*
(2) *The province represents the location of the property in Canada.*
(3) *Includes multi-residential dwellings (4+ units) of $3,123 (January 31, 2019 – $3,070; October 31, 2018 – $2,899) of which $2,302 are insured (January 31, 2019 – $2,240; October 31, 2018 – $2,029).*

Amortization period ranges for residential mortgages

The following table presents the distribution of residential mortgages by remaining amortization periods, and by geographic areas.

	As at April 30, 2019					
	Residential mortgages by amortization period					
	Less than 20 years	20-24 years	25-29 years	30-34 years	35 years and greater	Total residential mortgages
Canada	**34.4%**	**38.8%**	**25.9%**	**0.8%**	**0.1%**	**100%**
International	**66.3%**	**18.4%**	**13.5%**	**1.7%**	**0.1%**	**100%**
	As at January 31, 2019					
Canada	34.1%	38.3%	26.9%	0.6%	0.1%	100%
International	64.3%	18.8%	13.6%	3.2%	0.1%	100%
	As at October 31, 2018					
Canada	33.9%	38.0%	27.1%	0.9%	0.1%	100%
International	65.1%	18.9%	13.2%	2.7%	0.1%	100%

Loan to value ratios

The Canadian residential mortgage portfolio is 58% uninsured (January 31, 2019 – 58%; October 31, 2018 – 57%). The average loan-to-value (LTV) ratio of the uninsured portfolio is 55% (January 31, 2019 – 55%; October 31, 2018 – 54%).

The following table presents the weighted average LTV ratio for total newly-originated uninsured residential mortgages and home equity lines of credit, which include mortgages for purchases, refinances with a request for additional funds and transfers from other financial institutions, by geographic areas in the current quarter.

	Uninsured LTV ratios	
	For the three months ended April 30, 2019	
	Residential mortgages	Home equity lines of credit[1]
	LTV%	LTV%
Canada:[2]		
Atlantic provinces	66.1%	57.4%
Quebec	63.8	67.6
Ontario	64.5	60.7
Manitoba & Saskatchewan	68.4	59.9
Alberta	66.8	71.8
British Columbia & Territories	63.2	61.0
Canada[2]	**64.5%**	**61.9%**
International	**72.0%**	**n/a%**
	For the three months ended January 31, 2019	
Canada[2]	63.8%	62.7%
International	69.0%	n/a
	For the three months ended October 31, 2018	
Canada[2]	63.5%	62.1%
International	69.2%	n/a

(1) *Includes only home equity lines of credit (HELOC) under Scotia Total Equity Plan. LTV is calculated based on the sum of residential mortgages and the authorized limit for related HELOCs, divided by the value of the related residential property, and presented on a weighted average basis for newly originated mortgages and HELOCs.*
(2) *The province represents the location of the property in Canada.*

Potential impact on residential mortgages and real estate home equity lines of credit in the event of an economic downturn

The Bank stresses its mortgage book to determine the impact of a variety of combinations of home price declines, unemployment increases and rising interest rates. It benchmarks the scenarios against experience in various historical downturns to confirm that they are sufficiently robust tests of the portfolio. In stress, there are moderate increases in credit losses and negative impacts on capital ratios but within a level the Bank considers manageable. In practice, the portfolio is robust to such scenarios due to the low LTV of the book, the high proportion of insured exposures and the diversified composition of the portfolio.

European exposures

The Bank believes that its European exposures are manageable, are sized appropriately relative to the credit worthiness of the counterparties (90% of the exposures are to investment grade counterparties based on a combination of internal and external ratings), and are modest relative to the capital levels of the Bank. The Bank's European exposures are classified at amortized cost or fair value using observable inputs, with negligible amounts valued using models with unobservable inputs (Level 3). There were no significant events in the quarter that have materially impacted the Bank's exposures.

The Bank's exposure to sovereigns was $7.3 billion as at April 30, 2019 (January 31, 2019 – $8.0 billion; October 31, 2018 – $8.5 billion), $3.6 billion to banks (January 31, 2019 – $4.7 billion; October 31, 2018 – $5.8 billion) and $16.9 billion to corporates (January 31, 2019 – $14.7 billion; October 31, 2018 – $15.8 billion).

In addition to exposures detailed in the table below, the Bank had indirect exposures consisting of securities exposures to non-European entities whose parent company is domiciled in Europe of $0.8 billion as at April 30, 2019 (January 31, 2019 – $0.7 billion; October 31, 2018 – $0.7 billion).

The Bank's current European exposure is provided below:

	As at								
	April 30, 2019							January 31 2019	October 31 2018
($ millions)	Loans and loan equivalents[1]	Deposits with financial institutions	Securities[2]	SFT and derivatives[3]	Funded total	Undrawn commitments[4]	**Total**	Total	Total
Greece	$ 114	$ –	$ –	$ –	$ 114	$ –	**$ 114**	$ 143	$ 146
Ireland	857	707	(2)	164	1,726	712	**2,438**	1,805	2,612
Italy	11	1	(24)	2	(10)	125	**115**	112	148
Portugal	–	–	–	6	6	–	**6**	–	2
Spain	934	4	–	95	1,033	181	**1,214**	1,220	1,701
Total GIIPS	$ 1,916	$ 712	$ (26)	$ 267	$ 2,869	$ 1,018	**$ 3,887**	$ 3,280	$ 4,609
U.K.	$ 7,132	$ 3,452	$ 160	$ 2,058	$ 12,802	$ 6,148	**$ 18,950**	$ 20,441	$ 20,003
Germany	1,515	496	1,322	57	3,390	1,389	**4,779**	4,118	4,285
France	1,045	199	474	55	1,773	1,678	**3,451**	3,406	4,199
Netherlands	828	100	409	62	1,399	1,639	**3,038**	2,623	2,525
Switzerland	710	17	7	183	917	894	**1,811**	1,701	1,492
Other	2,023	168	2,142	344	4,677	3,161	**7,838**	7,175	7,988
Total Non-GIIPS	$ 13,253	$ 4,432	$ 4,514	$ 2,759	$ 24,958	$ 14,909	**$ 39,867**	$ 39,464	$ 40,492
Total Europe	$ 15,169	$ 5,144	$ 4,488	$ 3,026	$ 27,827	$ 15,927	**$ 43,754**	$ 42,744	$ 45,101

(1) Individual allowances for impaired loans are $5. Letters of credit and guarantees are included as funded exposure as they have been issued. Included in loans and loans equivalent are letters of credit and guarantees which total $3,906 as at April 30, 2019 (January 31, 2019 – $4,209; October 31, 2018 – $3,867).

(2) Exposures for securities are calculated taking into account derivative positions where the security is the underlying reference asset and short trading positions, with net short positions in brackets.

(3) SFT comprise of securities purchased under resale agreements, obligations related to securities sold under repurchase agreements and securities lending and borrowing transactions. Gross and net funded exposures represent all net positive positions after taking into account collateral. Collateral held against derivatives was $1,484 and collateral held against SFT was $20,551.

(4) Undrawn commitments represent an estimate of the contractual amount that may be drawn upon by the obligor and include commitments to issue letters of credit on behalf of other banks in a syndicated bank lending arrangement.

Market risk

Value at Risk (VaR) is a key measure of market risk in the Bank's trading activities. VaR includes both general market risk and debt specific risk components. The Bank also calculates a Stressed VaR measure.

	Average for the three months ended		
Risk factor *($ millions)*	**April 30 2019**	January 31 2019	April 30 2018
Credit spread plus interest rate	**$ 9.6**	$ 11.3	$ 14.4
Credit spread	**6.9**	6.8	8.9
Interest rate	**6.8**	8.4	11.9
Equities	**3.3**	4.0	2.5
Foreign exchange	**3.6**	2.3	3.7
Commodities	**2.1**	2.0	1.6
Debt specific	**4.3**	4.4	3.3
Diversification effect	**(11.6)**	(11.4)	(10.8)
Total VaR	**$ 11.3**	$ 12.6	$ 14.7
Total Stressed VaR	**$ 33.7**	$ 45.3	$ 40.7

In the second quarter of 2019, the average one-day Total VaR decreased to $11.3 million from $12.6 million in the previous quarter, primarily driven by reduced exposures to yields and credit spreads.

The average one-day Total Stressed VaR decreased during the quarter to $33.7 million from $45.3 million in the previous quarter, primarily due to lower yields. Stressed VaR is calculated using market volatility from a one-year period identified as stressful given the risk profile of the trading portfolio. The current period is the 2008/2009 credit crisis.

There was 1 trading loss day in the second quarter, compared to no trading loss days the previous quarter. The quality and accuracy of the VaR models is validated by backtesting, which compares daily actual and theoretical profit and loss with the daily output of the VaR model.

Interest rate risk

Interest rate risk is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates and changes in customer's preferences (e.g. mortgage prepayment rates).

Non-trading interest rate sensitivity

The following table shows the pro-forma after tax impact on the Bank's net interest income over the next twelve months and economic value of shareholders' equity of an immediate and sustained 100 basis points increase and decrease in interest rate across major currencies as defined by the Bank. These calculations are based on models that consider a number of inputs and are on a constant balance sheet and make no assumptions for management actions to mitigate the risk.

	As at									
	April 30, 2019						January 31, 2019		April 30, 2018	
	Net income			**Economic value**						
($ millions)	**Canadian dollar**	**Other currencies**	**Total**	**Canadian dollar**	**Other currencies**	**Total**	Net income	Economic value	Net income	Economic value
+100 bps	**$ (122)**	**$ 11**	**$ (111)**	**$ (410)**	**$ (958)**	**$ (1,368)**	$ 66	$ (363)	$ (71)	$ (1,097)
-100 bps	**119**	**(12)**	**107**	**240**	**839**	**1,079**	(68)	140	70	991

During the second quarter of 2019, both interest rate sensitivities remained well within the Bank's approved limits.

The Bank's Asset-Liability Committee provides strategic direction for the management of structural interest rate risk within the risk appetite framework authorized by the Board of Directors. The asset/liability management strategy is executed by Group Treasury with the objective of protecting and enhancing net interest income within established risk tolerances.

The Bank supplements the immediate rate change impact analysis described above with more sophisticated analyses and tools for actual risk management purposes.

Market risk linkage to Consolidated Statement of Financial Position

Trading assets and liabilities are marked to market daily and included in trading risk measures such as VaR. Derivatives captured under trading risk measures are related to the activities of Global Banking and Markets, while derivatives captured under non-trading risk measures comprise those used in asset/liability management and designated in a hedge relationship. A comparison of Consolidated Statement of Financial Position items which are covered under the trading and non-trading risk measures is provided in the table below.

Market risk linkage to Consolidated Statement of Financial Position of the Bank

As at April 30, 2019	**Market risk measure**				
($ millions)	**Consolidated Statement of Financial Position**	**Trading risk**	**Non-trading risk**	**Not subject to market risk**	**Primary risk sensitivity of non-trading risk**
Precious metals	**$ 3,543**	**$ 3,543**	**$ –**	**$ –**	**n/a**
Trading assets	**117,140**	**116,550**	**590**	**–**	**Interest rate, FX**
Financial instruments designated at fair value through profit or loss	**14**	**–**	**14**	**–**	**Interest rate**
Derivative financial instruments	**31,358**	**27,950**	**3,408**	**–**	**Interest rate, FX, equity**
Investment securities	**85,146**	**–**	**85,146**	**–**	**Interest rate, FX, equity**
Loans	**583,815**	**–**	**583,815**	**–**	**Interest rate, FX**
Assets not subject to market risk[1]	**237,153**	**–**	**–**	**237,153**	**n/a**
Total assets	**$ 1,058,169**	**$ 148,043**	**$ 672,973**	**$ 237,153**	
Deposits	**$ 712,282**	**$ –**	**$ 677,827**	**$ 34,455**	**Interest rate, FX, equity**
Financial instruments designated at fair value through profit or loss	**10,919**	**–**	**10,919**	**–**	**Interest rate, equity**
Obligations related to securities sold short	**29,957**	**29,957**	**–**	**–**	**n/a**
Derivative financial instruments	**33,176**	**28,462**	**4,714**	**–**	**Interest rate, FX, equity**
Trading liabilities[2]	**5,161**	**5,161**	**–**	**–**	**n/a**
Pension and other benefit liabilities	**2,539**	**–**	**2,539**	**–**	**Interest rate, credit spread, equity**
Liabilities not subject to market risk[3]	**193,888**	**–**	**–**	**193,888**	**n/a**
Total liabilities	**$ 987,922**	**$ 63,580**	**$ 695,999**	**$ 228,343**	

(1) *Includes goodwill, intangibles, other assets and securities purchased under resale agreements and securities borrowed.*
(2) *Gold and silver certificates and bullion included in other liabilities.*
(3) *Includes obligations related to securities sold under repurchase agreements and securities lent and other liabilities.*

As at October 31, 2018		Market risk measure			
($ millions)	Consolidated Statement of Financial Position	Trading risk	Non-trading risk	Not subject to market risk	Primary risk sensitivity of non-trading risk
Precious metals	$ 3,191	$ 3,191	$ –	$ –	n/a
Trading assets	100,262	99,650	612	–	Interest rate, FX
Financial instruments designated at fair value through profit or loss	12	–	12	–	Interest rate
Derivative financial instruments	37,558	33,937	3,621	–	Interest rate, FX, equity
Investment securities	78,396	–	78,396	–	Interest rate, FX, equity
Loans	551,834	–	551,834	–	Interest rate, FX
Assets not subject to market risk[(1)]	227,240	–	–	227,240	n/a
Total assets	$ 998,493	$ 136,778	$ 634,475	$ 227,240	
Deposits	$ 676,534	$ –	$ 641,791	$ 34,743	Interest rate, FX, equity
Financial instruments designated at fair value through profit or loss	8,188	–	8,188	–	Interest rate, equity
Obligations related to securities sold short	32,087	32,087	–	–	n/a
Derivative financial instruments	37,967	32,300	5,667	–	Interest rate, FX, equity
Trading liabilities[(2)]	5,019	5,019	–	–	n/a
Pension and other benefit liabilities	1,727	–	1,727	–	Interest rate, credit spread, equity
Liabilities not subject to market risk[(3)]	169,291	–	–	169,291	n/a
Total liabilities	$ 930,813	$ 69,406	$ 657,373	$ 204,034	

(1) Includes goodwill, intangibles, other assets and securities purchased under resale agreements and securities borrowed.
(2) Gold and silver certificates and bullion included in other liabilities.
(3) Includes obligations related to securities sold under repurchase agreements and securities lent and other liabilities.

Liquidity risk

Effective liquidity risk management is essential to maintain the confidence of depositors and counterparties, manage the Bank's cost of funds and to support core business activities, even under adverse circumstances.

Liquidity risk is managed within a framework of policies and limits that are approved by the Board of Directors, as outlined in Note 20 to the Condensed Interim Consolidated Financial Statements and in Note 37 of the Audited Consolidated Financial Statements in the Bank's 2018 Annual Report. Liquid assets are a key component of this framework.

The determination of the appropriate levels for liquid asset portfolios is based on the amount of liquidity the Bank might need to fund expected cash flows in the normal course of business, as well as what might be required in periods of stress to meet cash outflows. Stress events include periods when there are disruptions in the capital markets or events which may impair the Bank's access to funding markets or liquidity. The Bank uses stress testing to assess the impact of stress events and to assess the amount of liquid assets that would be required in various stress scenarios.

Liquid assets

Liquid assets are a key component of liquidity management and the Bank holds these types of assets in sufficient quantity to meet potential needs for liquidity management.

Liquid assets can be used to generate cash either through sale, repurchase transactions or other transactions where these assets can be used as collateral to generate cash, or by allowing the asset to mature. Liquid assets include deposits with central banks, deposits with financial institutions, call and other short-term loans, marketable securities, precious metals and securities received as collateral from securities financing and derivative transactions. Liquid assets do not include liquidity which may be obtained from central bank facilities.

Marketable securities are securities traded in active markets, which can be converted to cash within a timeframe that is in accordance with the Bank's liquidity management framework. Assets are assessed considering a number of factors, including the expected time it would take to convert them to cash.

Marketable securities included in liquid assets are comprised of securities specifically held as a liquidity buffer or for asset/liability management purposes; trading securities, which are primarily held by Global Banking and Markets; and collateral received for securities financing and derivative transactions.

The Bank maintains large holdings of unencumbered liquid assets to support its operations. These assets generally can be sold or pledged to meet the Bank's obligations. As at April 30, 2019, unencumbered liquid assets were $211 billion (October 31, 2018 – $202 billion). Securities including National Housing Act (NHA) mortgage-backed securities, comprised 79% of liquid assets (October 31, 2018 – 71%). Other unencumbered liquid assets, comprising cash and deposits with central banks, deposits with financial institutions, precious metals and call and short loans were 21% (October 31, 2018 – 29%). The increase in total liquid assets was mainly attributable to growth in the securities portfolio, which was partially offset by a decrease in cash and deposits with central banks and deposits with financial institutions.

The carrying values outlined in the liquid asset table are consistent with the carrying values in the Bank's Consolidated Statement of Financial Position as at April 30, 2019. The liquidity value of the portfolio will vary under different stress events as different assumptions are used for the stress scenarios.

The Bank's liquid asset pool is summarized in the following table:

	As at April 30, 2019						
				Encumbered liquid assets		Unencumbered liquid assets	
($ millions)	**Bank-owned liquid assets**	**Securities received as collateral from securities financing and derivative transactions**	**Total liquid assets**	**Pledged as collateral**	**Other[1]**	**Available as collateral**	**Other**
Cash and deposits with central banks	**$ 40,854**	**$ –**	**$ 40,854**	**$ –**	**$ 9,514**	**$ 31,340**	**$ –**
Deposits with financial institutions	**9,267**	**–**	**9,267**	**–**	**57**	**9,210**	**–**
Precious metals	**3,543**	**–**	**3,543**	**–**	**73**	**3,470**	**–**
Securities:							
Canadian government obligations	**43,393**	**12,287**	**55,680**	**32,564**	**–**	**23,116**	**–**
Foreign government obligations	**74,142**	**78,086**	**152,228**	**84,608**	**–**	**67,620**	**–**
Other securities	**65,691**	**72,886**	**138,577**	**97,261**	**–**	**41,316**	**–**
Loans:							
NHA mortgage-backed securities[2]	**37,284**	**–**	**37,284**	**2,754**	**–**	**34,530**	**–**
Call and short loans	**632**	**–**	**632**	**–**	**–**	**632**	**–**
Total	**$ 274,806**	**$ 163,259**	**$ 438,065**	**$ 217,187**	**$ 9,644**	**$ 211,234**	**$ –**

	As at October 31, 2018						
				Encumbered liquid assets		Unencumbered liquid assets	
($ millions)	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	Pledged as collateral	Other[1]	Available as collateral	Other
Cash and deposits with central banks	$ 48,352	$ –	$ 48,352	$ –	$ 7,906	$ 40,446	$ –
Deposits with financial institutions	13,917	–	13,917	–	73	13,844	–
Precious metals	3,191	–	3,191	–	70	3,121	–
Securities:							
Canadian government obligations	45,260	11,050	56,310	29,464	–	26,846	–
Foreign government obligations	60,553	63,816	124,369	68,531	–	55,838	–
Other securities	54,786	66,704	121,490	92,280	–	29,210	–
Loans:							
NHA mortgage-backed securities[2]	34,636	–	34,636	2,605	–	32,031	–
Call and short loans	1,047	–	1,047	–	–	1,047	–
Total	$ 261,742	$ 141,570	$ 403,312	$ 192,880	$ 8,049	$ 202,383	$ –

(1) Assets which are restricted from being used to secure funding for legal or other reasons.
(2) These mortgage-backed securities, which are available-for-sale, are reported as residential mortgage loans on the balance sheet.

A summary of total unencumbered liquid assets held by the parent bank and its branches, and domestic and foreign subsidiaries, is presented below:

	As at	
($ millions)	**April 30 2019**	October 31 2018
The Bank of Nova Scotia (Parent)	**$ 160,143**	$ 152,728
Bank domestic subsidiaries	**11,531**	15,344
Bank foreign subsidiaries	**39,560**	34,311
Total	**$ 211,234**	$ 202,383

The Bank's liquidity pool is held across major currencies, mostly comprised of Canadian and U.S. dollar holdings. As shown above, the vast majority (81%) of liquid assets are held by the Bank's corporate office, branches of the Bank, and Canadian subsidiaries of the Bank. To the extent a liquidity reserve held in a foreign subsidiary of the Bank is required for regulatory purposes, it is assumed to be unavailable to the rest of the Group. Other liquid assets held by a foreign subsidiary are assumed to be available only in limited circumstances. The Bank monitors and ensures compliance in relation to minimum levels of liquidity required and assets held within each entity, and/or jurisdiction.

Encumbered assets

In the course of the Bank's day-to-day activities, securities and other assets are pledged to secure an obligation, participate in clearing or settlement systems, or operate in a foreign jurisdiction. Securities are also pledged under repurchase agreements. A summary of encumbered and unencumbered assets is presented below:

	As at April 30, 2019						
				Encumbered assets		Unencumbered assets	
($ millions)	Bank-owned assets	Securities received as collateral from securities financing and derivative transactions	Total assets	Pledged as collateral	Other[1]	Available as collateral[2]	Other[3]
Cash and deposits with central banks	$ 40,854	$ –	$ 40,854	$ –	$ 9,514	$ 31,340	$ –
Deposits with financial institutions	9,267	–	9,267	–	57	9,210	–
Precious metals	3,543	–	3,543	–	73	3,470	–
Liquid securities:							
Canadian government obligations	43,393	12,287	55,680	32,564	–	23,116	–
Foreign government obligations	74,142	78,086	152,228	84,608	–	67,620	–
Other liquid securities	65,691	72,886	138,577	97,261	–	41,316	–
Other securities	5,059	6,718	11,777	4,715	–	–	7,062
Loans classified as liquid assets:							
NHA mortgage-backed securities	37,284	–	37,284	2,754	–	34,530	–
Call and short loans	632	–	632	–	–	632	–
Other loans	559,003	–	559,003	10,606	57,609	13,771	477,017
Other financial assets[4]	176,485	(112,314)	64,171	4,635	–	–	59,536
Non-financial assets	42,816	–	42,816	–	–	–	42,816
Total	$ 1,058,169	$ 57,663	$ 1,115,832	$ 237,143	$ 67,253	$ 225,005	$ 586,431

	As at October 31, 2018						
				Encumbered assets		Unencumbered assets	
($ millions)	Bank-owned assets	Securities received as collateral from securities financing and derivative transactions	Total assets	Pledged as collateral	Other[1]	Available as collateral[2]	Other[3]
Cash and deposits with central banks	$ 48,352	$ –	$ 48,352	$ –	$ 7,906	$ 40,446	$ –
Deposits with financial institutions	13,917	–	13,917	–	73	13,844	–
Precious metals	3,191	–	3,191	–	70	3,121	–
Liquid securities:							
Canadian government obligations	45,260	11,050	56,310	29,464	–	26,846	–
Foreign government obligations	60,553	63,816	124,369	68,531	–	55,838	–
Other liquid securities	54,786	66,704	121,490	92,280	–	29,210	–
Other securities	3,283	5,400	8,683	4,978	–	–	3,705
Loans classified as liquid assets:							
NHA mortgage-backed securities	34,636	–	34,636	2,605	–	32,031	–
Call and short loans	1,047	–	1,047	–	–	1,047	–
Other loans	530,485	–	530,485	8,430	59,460	12,864	449,731
Other financial assets[4]	163,209	(92,624)	70,585	2,619	–	–	67,966
Non-financial assets	39,774	–	39,774	–	–	–	39,774
Total	$ 998,493	$ 54,346	$ 1,052,839	$ 208,907	$ 67,509	$ 215,247	$ 561,176

(1) Assets which are restricted from being used to secure funding for legal or other reasons.
(2) Assets that are readily available in the normal course of business to secure funding or meet collateral needs including central bank borrowing immediately available.
(3) Other unencumbered assets are not subject to any restrictions on their use to secure funding or as collateral but the Bank would not consider them to be readily available. These include loans, a portion of which may be used to access central bank facilities outside of the normal course or to raise secured funding through the Bank's secured funding programs.
(4) Securities received as collateral against other financial assets are included within liquid securities and other securities.

As of April 30, 2019, total encumbered assets of the Bank were $304 billion (October 31, 2018 – $276 billion). Of the remaining $811 billion (October 31, 2018 – $776 billion) of unencumbered assets, $225 billion (October 31, 2018 – $215 billion) are considered readily available in the normal course of business to secure funding or meet collateral needs as detailed above.

In some over-the-counter derivative contracts, the Bank would be required to post additional collateral or receive less collateral in the event its credit rating was downgraded. The Bank maintains access to sufficient collateral to meet these obligations in the event of a downgrade of its ratings by one or more of the rating agencies. As at April 30, 2019, the potential adverse impact on derivatives collateral that would result from a one-notch or two-notch downgrade of the Bank's rating below its lowest current rating, was $16 million or $170 million, respectively.

Encumbered liquid assets are not considered to be available for liquidity management purposes. Liquid assets which are used to hedge derivative positions in trading books or for hedging purposes are considered to be available for liquidity management provided they meet the criteria discussed in liquid assets above.

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) measure is based on a 30-day liquidity stress scenario, with assumptions defined in the Office of the Superintendent of Financial Institutions (OSFI) Liquidity Adequacy Requirements (LAR) Guideline. The LCR is calculated as the ratio of high quality liquid assets (HQLA) to net cash outflows. The Bank is subject to a regulatory minimum LCR of 100%.

HQLA are defined in the LAR Guideline, and are grouped into three main categories, with varying haircuts applied to arrive at the amount included in the total weighted value in the table that follows.

The total weighted values for net cash outflows for the next 30 days are derived by applying the assumptions specified in the LAR Guideline to specific items, including loans, deposits, maturing debt, derivative transactions and commitments to extend credit.

The following table presents the Bank's LCR for the quarter ended April 30, 2019, based on the average daily positions in the quarter.

For the quarter ended April 30, 2019 *($ millions)*[1]	Total unweighted value (Average)[2]	Total weighted value (Average)[3]
High-quality liquid assets		
Total high-quality liquid assets (HQLA)	*	**$ 158,383**
Cash outflows		
Retail deposits and deposits from small business customers, of which:	$ 181,477	$ 13,029
Stable deposits	75,709	2,452
Less stable deposits	105,768	10,577
Unsecured wholesale funding, of which:	179,175	87,517
Operational deposits (all counterparties) and deposits in networks of cooperative banks	61,386	14,532
Non-operational deposits (all counterparties)	93,121	48,317
Unsecured debt	24,668	24,668
Secured wholesale funding	*	42,184
Additional requirements, of which:	210,103	43,028
Outflows related to derivative exposures and other collateral requirements	27,220	17,034
Outflows related to loss of funding on debt products	4,019	4,019
Credit and liquidity facilities	178,864	21,975
Other contractual funding obligations	1,227	1,188
Other contingent funding obligations[4]	485,910	8,019
Total cash outflows	*	**$ 194,965**
Cash inflows		
Secured lending (e.g. reverse repos)	$ 142,823	$ 29,979
Inflows from fully performing exposures	25,871	17,118
Other cash inflows	20,902	20,902
Total cash inflows	**$ 189,596**	**$ 67,999**
		Total adjusted value[5]
Total HQLA	*	**$ 158,383**
Total net cash outflows	*	**$ 126,966**
Liquidity coverage ratio (%)	*	**125%**

For the quarter ended January 31, 2019 *($ millions)*		Total adjusted value[5]
Total HQLA	*	$ 157,625
Total net cash outflows	*	$ 123,387
Liquidity coverage ratio (%)	*	128%

* *Disclosure is not required under regulatory guideline.*
(1) *Based on the average of daily positions of the 61 business days in the quarter.*
(2) *Unweighted values represent outstanding balances maturing or callable within the next 30 days.*
(3) *Weighted values represent balances calculated after the application of HQLA haircuts or inflow and outflow rates, as prescribed by the OSFI LAR guidelines.*
(4) *Total unweighted values include uncommitted credit and liquidity facilities, guarantees and letters of credit, outstanding debt securities with remaining maturity greater than 30 days, and other contractual cash outflows.*
(5) *Total adjusted value represents balances calculated after the application of both haircuts and inflow and outflow rates and any applicable caps.*

HQLA is substantially comprised of Level 1 assets (as defined in the LAR guideline), such as cash, deposits with central banks, central bank reserves available to the Bank in times of stress and securities with a 0% risk weight, as defined under OSFI Capital Adequacy guidelines.

The decrease in the Bank's average LCR for the quarter ended April 30, 2019 versus the average of the previous quarter was attributable to normal business activities. The Bank's significant operating currencies are Canadian and U.S. dollars. The Bank monitors its significant currency exposures in accordance with its liquidity risk management framework and risk appetite.

Funding

The Bank ensures that its funding sources are well diversified. Funding concentrations are regularly monitored and analyzed by type. The sources of funding are capital, deposits from retail and commercial clients sourced through the Canadian and international branch network, deposits from financial institutions as well as wholesale debt issuances.

Capital and personal deposits are key components of the Bank's core funding and these amounted to $304 billion as at April 30, 2019 (October 31, 2018 – $289 billion). The increase since October 31, 2018 was primarily driven by personal deposit growth, issuance of subordinated debentures, internal capital generation and the impact of foreign exchange. A portion of commercial deposits, particularly those of an operating or relationship nature, would be considered part of the Bank's core funding. Furthermore, core funding is augmented by longer-term wholesale debt issuances (original maturity over 1 year) of $155 billion (October 31, 2018 – $157 billion). Longer-term wholesale debt issuances include medium-term notes, mortgage securitizations, asset-backed securities and covered bonds.

The Bank operates in many different currencies and countries. From a funding perspective, the most significant currencies are Canadian and U.S. dollars. With respect to the Bank's operations outside Canada, there are different funding strategies depending on the nature of the activities in a country. For those countries where the Bank operates a branch banking subsidiary, the strategy is for the subsidiary to be substantially self-funding in its local market. For other subsidiaries or branches outside Canada where local deposit gathering capability is not sufficient, funding is provided through the wholesale funding activities of the Bank.

From an overall funding perspective the Bank's objective is to achieve an appropriate balance between the cost and the stability of funding. Diversification of funding sources is a key element of the funding strategy.

The Bank's wholesale debt diversification strategy is primarily executed via the Bank's main wholesale funding centres, located in Toronto, New York, London and Singapore. The funding strategy deployed by wholesale funding centres and the management of associated risks, such as geographic and currency risk, is managed centrally within the framework of policies and limits that are approved by the Board of Directors.

In the normal course, the Bank uses a mix of unsecured and secured wholesale funding instruments across a variety of markets. The choice of instruments and markets is based on a number of factors, including relative cost and market capacity as well as an objective of maintaining a diversified mix of funding sources. Market conditions can change over time, impacting cost and capacity in particular markets or instruments. Changing market conditions can include periods of stress where the availability of funding in particular markets or instruments is constrained. In these circumstances, the Bank would increase its focus on sources of funding in functioning markets and secured funding instruments. Should a period of extreme stress exist such that all wholesale funding sources are constrained, the Bank maintains a pool of liquid assets to mitigate its liquidity risk. This pool includes cash, deposits with central banks and securities.

In Canada, the Bank raises short- and longer-term wholesale debt through the issuance of senior unsecured notes. Additional longer-term wholesale debt may be generated through the Bank's Canadian Debt and Equity Shelf, the securitization of Canadian insured residential mortgages through CMHC securitization programs (such as Canada Mortgage Bonds), uninsured residential mortgages through the Bank's Covered Bond Program, unsecured personal lines of credit through the Halifax Receivables Trust program, retail credit card receivables through the Trillium Credit Card Trust II program and retail indirect auto loan receivables through the Securitized Term Auto Receivables Trust program. While the Bank includes CMHC securitization programs in its view of wholesale debt issuance, this source of funding does not entail the run-off risk that can be experienced in funding raised from capital markets.

Outside of Canada, short-term wholesale debt is raised through the issuance of negotiable certificates of deposit in the United States, Hong Kong, the United Kingdom and Australia and the issuance of commercial paper in the United States. The Bank operates longer-term wholesale debt issuance registered programs in the United States, such as its SEC Registered Debt and Equity Shelf and non-registered programs, such as the securitization of retail indirect auto loan receivables through the Securitized Term Auto Receivables Trust program and the securitization of retail credit card receivables through the Trillium Credit Card Trust II program. The Bank's Covered Bond Program is listed with the U.K. Listing Authority, and the Bank may issue under the program in Europe, the United States, Australia and Switzerland. The Bank also raises longer-term funding across a variety of currencies through its Australian Medium Term Note Programme, European Medium Term Note Programme and Singapore Medium Term Note Programme. The Bank's European Medium Term Note Programme is listed with the U.K. Listing Authority, Swiss Stock Exchange and the Tokyo Pro-Bond Market. The Bank's Singapore Medium Term Note Programme is listed with the Singapore Exchange and the Taiwan Exchange.

On September 23, 2018, the Bank Recapitalization (Bail-in) Conversion Regulations and the Bank Recapitalization (Bail-in) Issuance Regulations came into force. In general, any issuance of senior debt with an initial or amended term to maturity greater than 400 days, that is unsecured or partially secured and has been assigned a CUSIP or ISIN or similar identification number is subject, in whole or in part, to conversion into the Bank's common shares. Please refer to the "Regulatory Developments" section.

The table below provides the remaining contractual maturities of funding raised through wholesale funding sources. In the Consolidated Statement of Financial Position, these liabilities are primarily included in Business and Government Deposits.

Wholesale funding sources[1]

	As at April 30, 2019									
($ millions)	**Less than 1 month**	**1-3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**Sub-Total ≤ 1 Year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Deposit by banks[2]	**$ 2,833**	**$ 359**	**$ 261**	**$ 528**	**$ 416**	**$ 4,397**	**$ 47**	**$ 119**	**$ 32**	**$ 4,595**
Bearer notes, commercial paper and certificate of deposits	**11,983**	**17,990**	**22,980**	**14,468**	**7,007**	**74,428**	**2,366**	**961**	**96**	**77,851**
Asset-backed commercial paper[3]	**1,900**	**3,924**	**502**	**–**	**–**	**6,326**	**–**	**–**	**–**	**6,326**
Senior notes[4][5]	**1,189**	**5,690**	**5,299**	**5,144**	**2,546**	**19,868**	**18,227**	**28,403**	**14,195**	**80,693**
Bail-inable notes[5]	**–**	**–**	**–**	**–**	**–**	**–**	**1,368**	**3,177**	**174**	**4,719**
Asset-backed securities	**–**	**516**	**2**	**2**	**1,311**	**1,831**	**3,914**	**1,319**	**244**	**7,308**
Covered bonds	**–**	**–**	**2,010**	**567**	**1,874**	**4,451**	**5,321**	**16,116**	**2,410**	**28,298**
Mortgage securitization[6]	**–**	**567**	**509**	**601**	**771**	**2,448**	**2,817**	**12,723**	**5,097**	**23,085**
Subordinated debt[7]	**–**	**–**	**–**	**–**	**–**	**–**	**82**	**157**	**9,406**	**9,645**
Total wholesale funding sources	**$ 17,905**	**$ 29,046**	**$ 31,563**	**$ 21,310**	**$ 13,925**	**$ 113,749**	**$ 34,142**	**$ 62,975**	**$ 31,654**	**$ 242,520**
Of Which:										
Unsecured funding	**$ 16,005**	**$ 24,039**	**$ 28,540**	**$ 20,140**	**$ 9,969**	**$ 98,693**	**$ 22,090**	**$ 32,817**	**$ 23,903**	**$ 177,503**
Secured funding	**1,900**	**5,007**	**3,023**	**1,170**	**3,956**	**15,056**	**12,052**	**30,158**	**7,751**	**65,017**

	As at October 31, 2018									
($ millions)	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	Sub-Total ≤ 1 Year	1-2 years	2-5 years	>5 years	Total
Deposit by banks[2]	$ 1,720	$ 196	$ 211	$ 212	$ 116	$ 2,455	$ 29	$ 145	$ 32	$ 2,661
Bearer notes, commercial paper and certificate of deposits	8,807	14,201	21,517	15,961	7,580	68,066	5,487	666	56	74,275
Asset-backed commercial paper[3]	2,088	4,697	165	–	–	6,950	–	–	–	6,950
Senior notes[4][5]	180	2,714	4,070	6,214	5,168	18,346	15,179	36,765	14,298	84,588
Bail-inable notes[5]	–	–	–	–	–	–	–	–	–	–
Asset-backed securities	6	15	47	500	–	568	2,714	1,944	304	5,530
Covered bonds	–	2,910	1,491	–	1,975	6,376	4,312	16,779	1,772	29,239
Mortgage securitization[6]	–	765	316	567	508	2,156	2,388	12,966	4,646	22,156
Subordinated debt[7]	–	–	–	–	–	–	–	237	7,539	7,776
Total wholesale funding sources	$ 12,801	$ 25,498	$ 27,817	$ 23,454	$ 15,347	$ 104,917	$ 30,109	$ 69,502	$ 28,647	$ 233,175
Of Which:										
Unsecured funding	$ 10,707	$ 17,111	$ 25,798	$ 22,387	$ 12,864	$ 88,867	$ 20,695	$ 37,813	$ 21,925	$ 169,300
Secured funding	2,094	8,387	2,019	1,067	2,483	16,050	9,414	31,689	6,722	63,875

(1) Wholesale funding sources exclude repo transactions and bankers' acceptances, which are disclosed in the contractual maturities table below. Amounts are based on remaining term to maturity.
(2) Only includes commercial bank deposits.
(3) Wholesale funding sources also exclude asset-backed commercial paper (ABCP) issued by certain ABCP conduits that are not consolidated for financial reporting purposes.
(4) Not subject to bail-in.
(5) Includes structured notes issued to institutional investors.
(6) Represents residential mortgages funded through Canadian Federal Government agency sponsored programs. Funding accessed through such programs does not impact the funding capacity of the Bank in its own name.
(7) Although subordinated debentures are a component of regulatory capital, they are included in this table in accordance with EDTF recommended disclosures.

Wholesale funding generally bears a higher risk of run-off in a stressed environment than other sources of funding. The Bank mitigates this risk through funding diversification, ongoing engagement with investors and by maintaining a large holding of unencumbered liquid assets. Unencumbered liquid assets of $211 billion as at April 30, 2019 (October 31, 2018 – $202 billion) were well in excess of wholesale funding sources which mature in the next twelve months.

Contractual maturities

The table below provides the maturity of assets and liabilities as well as the off-balance sheet commitments as at April 30, 2019, based on the contractual maturity date. From a liquidity risk perspective the Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows. In particular, for securities with a fixed maturity date, the ability and time horizon to raise cash from these securities is more relevant to liquidity management than contractual maturity. For other assets and deposits the Bank uses assumptions about rollover rates to assess liquidity risk for normal course and stress scenarios. Similarly, the Bank uses assumptions to assess the potential drawdown of credit commitments in various scenarios.

	As at April 30, 2019									
($ millions)	Less than one month	One to three months	Three to six months	Six to nine months	Nine to twelve months	One to two years	Two to five years	Over five years	No specific maturity	Total
Assets										
Cash and deposits with financial institutions and precious metals	$ 40,105	$ 947	$ 331	$ 161	$ 157	$ 367	$ 710	$ 598	$ 10,288	$ 53,664
Trading assets	5,103	4,897	2,911	3,375	4,110	7,779	17,544	16,930	54,491	117,140
Financial instruments designated at fair value through profit or loss	–	–	14	–	–	–	–	–	–	14
Securities purchased under resale agreements and securities borrowed	93,890	23,711	7,052	1,021	416	–	–	–	–	126,090
Derivative financial instruments	2,481	2,394	767	2,503	1,391	5,307	5,371	11,144	–	31,358
Investment securities – FVOCI	3,840	5,478	5,550	5,473	2,994	7,931	17,516	10,378	1,499	60,659
Investment securities – amortized cost	618	1,010	1,615	916	1,499	6,221	5,966	6,087	–	23,932
Investment securities – FVTPL	–	–	–	–	–	–	–	–	555	555
Loans	36,657	31,578	32,823	30,251	32,496	94,903	220,257	44,866	59,984	583,815
Residential mortgages	4,313	7,460	12,542	11,740	12,924	51,552	125,932	31,851	2,272[(1)]	260,586
Personal loans	4,060	2,841	3,762	3,458	3,314	12,580	23,585	5,622	38,652	97,874
Credit cards	–	–	–	–	–	–	–	–	17,730	17,730
Business and government	28,284	21,277	16,519	15,053	16,258	30,771	70,740	7,393	6,625[(2)]	212,920
Allowance for credit losses	–	–	–	–	–	–	–	–	(5,295)	(5,295)
Customers' liabilities under acceptances	11,086	1,416	169	60	92	–	–	–	–	12,823
Other assets	–	–	–	–	–	–	–	–	48,119	48,119
Total assets[(3)]	$ 193,780	$ 71,431	$ 51,232	$ 43,760	$ 43,155	$ 122,508	$ 267,364	$ 90,003	$ 174,936	$ 1,058,169
Liabilities and equity										
Deposits	$ 72,683	$ 58,854	$ 57,028	$ 42,131	$ 30,353	$ 52,552	$ 76,346	$ 18,821	$ 303,514	$ 712,282
Personal	10,234	8,597	13,288	12,662	12,329	15,319	13,029	41	139,434	224,933
Non-personal	62,449	50,257	43,740	29,469	18,024	37,233	63,317	18,780	164,080	487,349
Financial instruments designated at fair value through profit or loss	7	318	506	641	430	4,085	1,781	3,151	–	10,919
Acceptances	11,096	1,416	169	60	92	–	–	–	–	12,833
Obligations related to securities sold short	337	579	1,038	1,201	670	3,644	6,808	7,722	7,958	29,957
Derivative financial instruments	1,863	2,967	1,505	3,093	1,567	5,418	6,644	10,119	–	33,176
Obligations related to securities sold under repurchase agreements and securities lent	119,688	2,992	1,618	33	–	–	–	–	–	124,331
Subordinated debentures	–	–	–	–	–	–	–	7,554	–	7,554
Other liabilities	956	1,750	1,516	1,433	1,448	3,044	7,123	6,255	33,345	56,870
Total equity	–	–	–	–	–	–	–	–	70,247	70,247
Total liabilities and equity[(3)]	$ 206,630	$ 68,876	$ 63,380	$ 48,592	$ 34,560	$ 68,743	$ 98,702	$ 53,622	$ 415,064	$ 1,058,169
Off-balance sheet commitments										
Operating leases	$ 37	$ 74	$ 110	$ 107	$ 104	$ 381	$ 835	$ 930	$ –	$ 2,578
Credit commitments[(4)]	3,151	10,244	15,930	13,720	12,559	30,308	112,719	11,388	–	210,019
Financial guarantees[(5)]	–	–	–	–	–	–	–	–	37,008	37,008
Outsourcing obligations	18	36	53	52	52	192	127	–	1	531

(1) Includes primarily impaired mortgages.
(2) Includes primarily overdrafts and impaired loans.
(3) Includes $1 billion of assets and $1 billion of liabilities related to the Banco Dominicano del Progreso Dominican Republic acquisition. Maturity profiles for these items have been estimated.
(4) Includes the undrawn component of committed credit and liquidity facilities.
(5) Includes outstanding balances of guarantees, standby letters of credit and commercial letters of credit which may expire undrawn.

	As at October 31, 2018									
($ millions)	Less than one month	One to three months	Three to six months	Six to nine months	Nine to twelve months	One to two years	Two to five years	Over five years	No specific maturity	Total
Assets										
Cash and deposits with financial institutions and precious metals	$ 54,254	$ 920	$ 284	$ 101	$ 117	$ 326	$ 726	$ 223	$ 8,509	$ 65,460
Trading assets	4,792	5,311	3,326	5,463	2,309	7,934	12,765	18,130	40,232	100,262
Financial instruments designated at fair value through profit or loss	–	–	–	–	12	–	–	–	–	12
Securities purchased under resale agreements and securities borrowed	74,522	21,223	5,743	673	337	549	539	432	–	104,018
Derivative financial instruments	3,178	5,517	2,024	2,327	1,446	6,447	6,071	10,548	–	37,558
Investment securities – FVOCI	3,925	6,436	5,852	3,284	3,243	13,139	15,206	4,758	1,305	57,148
Investment securities – amortized cost	452	1,429	1,160	1,501	1,500	4,302	9,465	934	–	20,743
Investment securities – FVTPL	–	–	–	–	–	–	–	–	505	505
Loans	40,463	27,581	28,920	27,246	28,064	93,191	214,017	34,985	57,367	551,834
Residential mortgages	11,496	4,697	8,774	12,014	12,781	53,629	126,934	21,366	1,666[(1)]	253,357
Personal loans	4,204	2,701	3,528	3,431	3,558	11,712	23,338	5,468	38,079	96,019
Credit cards	–	–	–	–	–	–	–	–	16,485	16,485
Business and government	24,763	20,183	16,618	11,801	11,725	27,850	63,745	8,151	6,202[(2)]	191,038
Allowance for credit losses	–	–	–	–	–	–	–	–	(5,065)	(5,065)
Customers' liabilities under acceptances	13,829	2,082	338	50	30	–	–	–	–	16,329
Other assets	–	–	–	–	–	–	–	–	44,624	44,624
Total assets	$ 195,415	$ 70,499	$ 47,647	$ 40,645	$ 37,058	$ 125,888	$ 258,789	$ 70,010	$ 152,542	$ 998,493
Liabilities and equity										
Deposits	$ 56,965	$ 53,331	$ 48,661	$ 39,716	$ 32,753	$ 45,262	$ 78,295	$ 18,313	$ 303,238	$ 676,534
Personal	8,797	9,415	12,536	9,563	10,241	13,472	11,953	261	138,307	214,545
Non-personal	48,168	43,916	36,125	30,153	22,512	31,790	66,342	18,052	164,931	461,989
Financial instruments designated at fair value through profit or loss	22	77	360	410	523	3,090	1,646	1,969	91	8,188
Acceptances	13,838	2,082	338	50	30	–	–	–	–	16,338
Obligations related to securities sold short	910	972	870	305	1,013	3,896	8,685	7,388	8,048	32,087
Derivative financial instruments	2,520	4,288	1,613	2,716	1,583	6,773	7,699	10,775	–	37,967
Obligations related to securities sold under repurchase agreements and securities lent	96,157	3,466	1,634	–	–	–	–	–	–	101,257
Subordinated debentures	–	–	–	–	–	–	–	5,698	–	5,698
Other liabilities	2,720	592	1,302	422	757	1,784	6,167	5,978	33,022	52,744
Total equity	–	–	–	–	–	–	–	–	67,680	67,680
Total liabilities and equity	$ 173,132	$ 64,808	$ 54,778	$ 43,619	$ 36,659	$ 60,805	$ 102,492	$ 50,121	$ 412,079	$ 998,493
Off-balance sheet commitments										
Operating leases	$ 36	$ 72	$ 106	$ 104	$ 102	$ 378	$ 818	$ 880	$ –	$ 2,496
Credit commitments[(3)]	4,232	5,588	13,438	15,182	22,619	23,906	105,988	6,486	–	197,439
Financial guarantees[(4)]	–	–	–	–	–	–	–	–	36,423	36,423
Outsourcing obligations	18	36	52	52	52	207	311	–	1	729

(1) Includes primarily impaired mortgages.
(2) Includes primarily overdrafts and impaired loans.
(3) Includes the undrawn component of committed credit and liquidity facilities.
(4) Includes outstanding balances of guarantees, standby letters of credit and commercial letters of credit which may expire undrawn.

Credit ratings

Credit ratings are one of the factors that impact the Bank's access to capital markets and the terms on which it can conduct derivatives, hedging transactions and borrow funds. The credit ratings and outlook that the rating agencies assign to the Bank are based on their own views and methodologies.

The Bank continues to have strong credit ratings and its deposits and legacy senior debt are rated AA by DBRS, Aa2 by Moody's, AA- by Fitch and A+ by Standard and Poor's (S&P). The Bank's new bail-inable senior debt is rated AA (low) by DBRS, A2 by Moody's, AA- by Fitch and A- by S&P. All four credit rating agencies have a stable outlook on the Bank.

Capital Management

We continue to manage our capital in accordance with the capital management framework as described on pages 55 to 67 of the Bank's 2018 Annual Report.

Domestic Stability Buffer

In December 2018, OSFI announced a 25 basis point increase to the Domestic Stability Buffer to 1.75% of total risk-weighted assets, effective April 30, 2019. OSFI's minimum regulatory capital ratio requirements, including the Domestic Systemically Important Banks (D-SIB) 1% surcharge and the Domestic Stability Buffer of 1.75%, are 9.75%, 11.25% and 13.25% for Common Equity Tier 1, Tier 1 and Total capital ratios, respectively.

In addition, we continue to monitor and prepare for new regulatory capital developments to ensure compliance with these requirements. There were no new OSFI requirements this quarter.

Capital ratios

The Bank's various regulatory capital measures consist of the following:

	As at		
($ millions)	**April 30 2019**	January 31 2019	October 31 2018
Common Equity Tier 1 capital	**$ 46,193**	$ 45,344	$ 44,443
Tier 1 capital	**51,709**	50,869	50,187
Total regulatory capital	**60,855**	59,796	57,364
CET1 risk-weighted assets[(1)(2)]	**$ 415,212**	$ 408,565	$ 400,507
Tier 1 risk-weighted assets[(1)(2)]	**415,212**	408,565	400,680
Total risk-weighted assets[(1)(2)]	**415,212**	408,565	400,853
Capital ratios (%):			
Common Equity Tier 1 capital ratio	**11.1**	11.1	11.1
Tier 1 capital ratio	**12.5**	12.5	12.5
Total capital ratio	**14.7**	14.6	14.3
Leverage:			
Leverage exposures	**$ 1,204,111**	$ 1,167,691	$ 1,119,099
Leverage ratio (%)	**4.3**	4.4	4.5

(1) In accordance with OSFI's requirements, effective January 31, 2019, CVA risk-weighted assets have been fully phased-in. In the prior year, CVA RWA were calculated using scalars of 0.80, 0.83 and 0.86 to compute CET1, Tier 1 and Total capital ratios, respectively.

(2) As at April 30, 2019, January 31, 2019 and October 31, 2018, the Bank did not have a regulatory capital floor add-on for CET1, Tier 1 and Total capital RWA.

The Bank's Common Equity Tier 1 capital ratio was 11.1% at April 30, 2019, in line with the prior quarter, primarily due to strong internal capital generation which was offset by organic growth in risk-weighted assets, the net impact from the Bank's acquisitions and divestitures which closed during the quarter, share buybacks under the Bank's Normal Course Issuer Bid and the impact from employee pension and post-retirement benefits on accumulated other comprehensive income.

In addition, the Bank's Tier 1 capital ratio remained in line at 12.5% and the Total Capital ratio increased by approximately 10 basis points to 14.7%, primarily due to the above impacts to the Common Equity Tier 1 (CET1) ratio.

The Bank's Leverage ratio declined by approximately 10 bps this quarter due to growth in the Bank's consolidated assets, which included the impact from acquisitions.

As at April 30, 2019, the CET1, Tier 1, Total capital and Leverage ratios were well above OSFI's minimum capital ratios.

Changes in regulatory capital

The Bank's Common Equity Tier 1 capital was $46.2 billion, as at April 30, 2019, an increase of approximately $0.8 billion during the quarter, primarily due to internal capital generation of $1.1 billion, including the impact from acquisitions and divestitures, and higher accumulated other comprehensive income of $0.2 billion, excluding the impact from cash flow hedges, partly offset by share buybacks net of share issuances of $0.2 billion, and increases to regulatory capital deductions of $0.2 billion.

Risk-weighted assets

CET1 risk-weighted assets (RWA) increased by $6.6 billion or 1.6% during the quarter to $415.2 billion, due primarily to organic growth in RWA, the impact from foreign currency translation, and the acquisitions which closed during the quarter.

Normal Course Issuer Bid

On May 28, 2019, the Bank announced its intention to seek TSX approval for a normal course issuer bid (the "2019 NCIB") pursuant to which it may repurchase for cancellation up to 24 million of the Bank's common shares. Purchases under the 2019 NCIB may commence on June 4, 2019 and terminate upon earlier of: (i) the Bank purchasing the maximum number of common shares under the 2019 NCIB, (ii) the Bank providing a notice of termination, or (iii) June 3, 2020. On a quarterly basis, the Bank will notify OSFI prior to making purchases.

On May 29, 2018, the Bank announced that OSFI and the Toronto Stock Exchange (TSX) approved a normal course issuer bid (the "2018 NCIB") pursuant to which it may repurchase for cancellation up to 24 million of the Bank's common shares. This 2018 NCIB will terminate on June 3, 2019.

During the six months ended April 30, 2019, the Bank repurchased and cancelled approximately 7.25 million common shares as part of the 2018 NCIB at a volume weighted average price of $72.19 per share for a total amount of $523 million. Under the 2018 NCIB, the Bank has cumulatively repurchased and cancelled approximately 13.23 million common shares at an average price of $73.84 per share.

Common dividend

The Board of Directors, at its meeting on May 27, 2019, approved a dividend of 87 cents per share. This quarterly dividend is payable to shareholders of record as of July 2, 2019 on July 29, 2019.

Financial Instruments

Given the nature of the Bank's main business activities, financial instruments make up a substantial portion of the balance sheet and are integral to the Bank's business. There are various measures that reflect the level of risk associated with the Bank's portfolio of financial instruments. Further discussion of some of these risk measures is included in the Risk Management section on page 23. The methods of determining the fair value of financial instruments are detailed on page 169 of the Bank's 2018 Annual Report.

Management's judgment on valuation inputs is necessary when observable market data is not available, and in the selection of appropriate valuation models. Uncertainty in these estimates and judgments can affect fair value and financial results recorded. During the quarter, changes in the fair value of financial instruments generally arose from normal economic, industry and market conditions.

Many financial instruments are traded products such as derivatives, and are generally transacted under industry standard International Swaps and Derivatives Association (ISDA) master netting agreements with counterparties, which allow for a single net settlement of all transactions covered by that agreement in the event of a default or early termination of the transactions. ISDA agreements are frequently accompanied by an ISDA Credit Support Annex (CSA), the terms of which may vary according to each party's view of the other party's creditworthiness. CSAs can require one party to post initial margin at the onset of each transaction. CSAs also allow for variation margin to be called if total uncollateralized mark-to-market exposure exceeds an agreed upon threshold. Such variation margin provisions can be one-way (only one party will ever post collateral) or bi-lateral (either party may post depending upon which party is in-the-money). The CSA will also detail the types of collateral that are acceptable to each party, and the haircuts that will be applied against each collateral type. The terms of the ISDA master netting agreements and CSAs are taken into consideration in the calculation of counterparty credit risk exposure (see also page 85 of the Bank's 2018 Annual Report).

Total derivative notional amounts were $5,466 billion as at April 30, 2019, compared to $5,446 billion as at January 31, 2019 (October 31, 2018 – $5,334 billion). The quarterly increase was primarily due to foreign currency translation partially offset by lower volumes of interest rate contracts. The total notional amount of over-the-counter derivatives was $5,247 billion compared to $5,179 billion as at January 31, 2019 (October 31, 2018 – $5,097 billion), of which $3,582 billion was settled through central counterparties as at April 30, 2019 (January 31, 2019 – $3,808 billion; October 31, 2018 – $3,523 billion). The credit equivalent amount, after taking master netting arrangements into account, was $28.1 billion, compared to $27.7 billion at January 31, 2019. The increase was primarily attributable to the impact of foreign currency translation and higher equity contracts offset by lower currency contracts.

Selected credit instruments

A complete discussion of selected credit instruments which markets regarded as higher risk during the financial crisis was provided on page 71 of the Bank's 2018 Annual Report. The Bank's net exposures have substantially remained unchanged from year end.

Off-Balance Sheet Arrangements

In the normal course of business, the Bank enters into contractual arrangements that are either consolidated or not required to be consolidated in its financial statements, but could have a current or future impact on the Bank's financial performance or financial condition. These arrangements can be classified into the following categories: structured entities, securitizations and guarantees and other commitments.

No material contractual obligations were entered into this quarter by the Bank with the structured entities that are not in the ordinary course of business. The Bank securitizes a portion of its unsecured personal lines of credit, credit card and auto loan receivables through consolidated structured entities, namely, Halifax Receivables Trust, Trillium Credit Card Trust II and Securitized Term Auto Receivables Trusts. During the quarter the Bank did not enter into any new securitization arrangements but securitized the following receivables in February 2019:

- $1,792 million of its Canadian credit card receivables (receivables) were securitized on a revolving basis through Trillium Credit Card Trust II (Trillium), a Bank-sponsored consolidated structured entity. Trillium issued Series 2019-1 and Series 2019-2 Class A senior notes and Class B and Class C subordinated notes to third-party investors. The proceeds of such issuances were used to purchase a co-ownership interest in the receivables originated by the Bank. Recourse of the noteholders is limited to the purchased co-ownership interest. The sale of such co-ownership interest did not qualify for derecognition, and therefore the receivables continue to be recognized on the Consolidated Statement of Financial Position.
- $896 million of its Canadian auto loan receivables were securitized through Securitized Term Auto Receivables Trust 2019-1 (START 2019-1), a Bank-sponsored consolidated structured entity. START 2019-1 issued multiple series of Class A notes to third-party investors and issued Class A-1 and subordinated notes to the Bank. The proceeds of such issuances are used to purchase a discrete pool of retail indirect auto loan receivables from the Bank on a fully serviced basis. Recourse of the noteholders is limited to the securitized loan receivables. The sale of such receivables did not qualify for derecognition and therefore the receivables continue to be recognized on the Consolidated Statement of Financial Position. The Class A-1 notes and subordinated notes issued by START 2019-1 and held by the Bank of $84 million are eliminated upon consolidation.

Processes for review and approval of these contractual arrangements are unchanged from last year.

For a complete discussion of these types of arrangements, please refer to pages 67 to 69 of the Bank's 2018 Annual Report.

Structured entities

The Bank sponsors two Canadian multi-seller conduits that are not consolidated. These multi-seller conduits purchase high-quality financial assets and finance these assets through the issuance of highly rated commercial paper.

Although the Bank has power over the relevant activities of the conduits, it has limited exposure to variability in returns, which results in the Bank not consolidating the two Canadian conduits.

A significant portion of the conduits' assets have been structured to receive credit enhancements from the sellers, including overcollateralization protection and cash reserve accounts. Each asset purchased by the conduits is supported by a backstop liquidity facility provided by the Bank in the form of a liquidity asset purchase agreement (LAPA). The primary purpose of the backstop liquidity facility is to provide an alternative source of financing in the event the conduits are unable to access the commercial paper market. Under the terms of the LAPA, in most cases, the Bank is not obliged to purchase defaulted assets.

The Bank's primary exposure to the Canadian-based conduits is the liquidity support provided, with total liquidity facilities of $4.3 billion as at April 30, 2019 (October 31, 2018 – $4.0 billion). As at April 30, 2019, total commercial paper outstanding for these conduits was $3.1 billion (October 31, 2018 – $3.2 billion). Funded assets purchased and held by these conduits as at April 30, 2019, as reflected at original cost, were $3.1 billion (October 31, 2018 – $3.2 billion). The fair value of these assets approximates original cost. There has been no significant change in the composition or risk profile of these conduits since October 31, 2018.

Other off-balance sheet arrangements

Guarantees and other indirect commitments increased by 4% from October 31, 2018. The increase is due to higher volumes in undrawn loan commitments. Fees from guarantees and loan commitment arrangements recorded as credit fees in non-interest income – banking were $143 million for the three months ended April 30, 2019, compared to $150 million in the previous quarter.

Regulatory Developments

The Bank continues to monitor and respond to global regulatory developments relating to a broad spectrum of topics, in order to ensure that control and business units are responsive on a timely basis and business impacts, if any, are minimized.

Total Loss Absorbing Capacity (TLAC)

On April 18, 2018, OSFI issued guidelines on Total Loss Absorbing Capacity (TLAC), which apply to Canada's Domestic Systemically Important Banks as part of the Federal Government's bail-in regime. The standards address the sufficiency of a systemically important bank's loss absorbing capacity in supporting its recapitalization in the event of its failure. OSFI requires systemically important banks to maintain a minimum of 21.5% plus the domestic stability buffer of TLAC eligible instruments relative to their RWAs and 6.75% relative to their leverage exposures. The Bank is required to comply with the minimum TLAC requirements by November 1, 2021 and began disclosing its TLAC ratios as of the first quarter of 2019.

United Kingdom and European Regulatory Reform

The UK gave formal notice of intention to withdraw from the EU on March 29, 2017. Negotiation of the terms of withdrawal are ongoing and the final date for the UK to leave the EU has recently been extended until October 31, 2019. Withdrawal may be earlier if the UK Parliament ratifies the agreement that has already been negotiated with the EU or if an amended agreement is negotiated and ratified by both the EU and the UK. Political agreement has been reached on a transition period, which would extend until at least December 31, 2020, providing additional time in which to ensure readiness, subject to the overall withdrawal agreement being concluded and ratified. If this occurs, then all EU legislation will continue to apply in the UK during transition.

There remains a possibility that the UK will leave the EU on or before October 31, 2019 without having a withdrawal agreement in place (a so-called "hard" Brexit).

The UK's exit from the EU may result in significant changes in law(s), which may impact the Bank's business, financial condition and/or results of operations and could adversely impact the Bank's cost of funding in Europe. The Bank continually monitors developments to prepare for changes that have the potential to impact its operations in the UK and elsewhere in Europe and is developing and revising its contingency plans accordingly.

Regulatory Initiatives Impacting Financial Services in Canada

In October 2018, in connection with its previously tabled budget, the government of Canada introduced legislation: amending the Bank Act to strengthen the financial consumer protection framework, with enhancements in the areas of corporate governance, responsible business conduct, disclosure and customer redress; amending the Financial Consumer Agency of Canada Act to strengthen the mandate and powers of the Financial Consumer Agency of Canada; and enacting the Pay Equity Act to redress systemic gender-based discrimination by requiring federal public and private sector employers to establish and maintain a pay equity plan within set time frames. Implementing regulations are still required, regarding earlier amendments to the Bank Act, which would allow banks to undertake broader financial technology activities. These initiatives are being assessed to analyze their impact and develop appropriate implementation plans. Provincial consumer protection initiatives are also being monitored to assess their possible implications from a financial services perspective.

Basel Committee on Banking Supervision – Finalized Basel III reforms

In December 2017, the Group of Governors and Heads of Supervision (GHOS), the oversight body of the Basel Committee on Banking Supervision (BCBS), announced that they have agreed on an output floor of 72.5% and have finalized the remaining Basel III reforms.

The final Basel III reform package includes: a revised standardized approach for credit risk; revisions to the internal ratings-based approach for credit risk; revisions to the credit valuation adjustment (CVA) framework, including the removal of the internally modelled approach and the introduction of a revised standardized approach; a revised standardized approach for operational risk, which will replace the existing standardized approaches and the advanced measurement approaches; revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which will take the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk-weighted capital buffer; and an aggregate output floor, which will ensure that banks' risk-weighted assets (RWAs) generated by internal models are no lower than 72.5% of RWAs as calculated by the Basel III framework's standardized approaches. Banks will also be required to disclose their RWAs based on these standardized approaches. Implementation of the new Basel III standards will be required in 2022. This includes the Fundamental Review of the Trading Book (FRTB) rules, which represents a delay from 2020. There is a phase-in period for the 72.5% output floor from January 1, 2022 until January 2027.

In July 2018, OSFI issued a discussion paper seeking views from interested stakeholders on its proposed policy direction and its timelines for implementation of the final Basel III reforms in Canada. OSFI supports the changes proposed within the final Basel III reforms and intends to implement them domestically, while also considering the adjustments required to recognize the unique characteristics of the Canadian market, improving risk sensitivity and providing the right incentives, while promoting the safety and soundness of deposit taking institutions in consideration of level playing field and competitiveness issues. As part of these adjustments, OSFI is considering eliminating the BCBS' transitional provisions for the output floor, setting the output floor at 72.5% commencing the first quarter of 2022. Responses to the questions raised within the discussion paper were due to OSFI by October 19, 2018. The Bank will continue to monitor and prepare for developments impacting regulatory capital requirements.

Regulatory Capital Pillar 3 Disclosure Requirements

In February 2018, the Basel Committee on Banking Supervision (BCBS) issued an update to its Pillar 3 disclosure requirements framework, as the third phase of the Committee's disclosure project, which builds on the first and second phases, published by the Committee in January 2015 and March 2017, respectively. The third phase is primarily to address changes in disclosure requirements from the Basel III reforms finalized in December 2017, as well as other disclosure requirements related to asset encumbrance, capital distribution constraints, and the scope of disclosure requirements across resolution groups.

Commencing October 31, 2018, the Bank's supplementary regulatory capital disclosures meet OSFI's April 2017 disclosure guideline for the Committee's first phase of the revised Pillar 3 disclosure requirements. OSFI's disclosure guidelines for the implementation of the second and third phases of the Committee disclosure project are awaited.

Regulatory Developments Relating to Liquidity

The Net Stable Funding Ratio (NSFR) is aimed at reducing structural funding risk by requiring banks to fund their activities with sufficiently stable sources of funding. The NSFR becomes a minimum standard in OSFI's liquidity framework in January 2020 with public disclosure required by the first quarter of 2021.

Reforms to interest rate benchmarks

LIBOR is the most widely referenced interest benchmark rate across the globe for derivatives, bonds, loans and other floating rate instruments; however, there is a regulator-led push to transition the market from LIBOR to alternative risk-free, or nearly risk-free, rates that are based on actual overnight transactions. The UK's Financial Conduct Authority announced in 2017 that it will no longer persuade or compel panel banks to make the submissions required to calculate LIBOR. As a result, UK and US regulators have warned the industry they will need to be prepared for LIBOR to be discontinued at the end of 2021. Derivatives, floating rate notes and other financial contracts whose terms extend beyond 2021, and that refer to LIBOR as the reference rate, will be impacted. The Bank is evaluating its exposure to LIBOR, as well as the impact of the transition on systems and processes.

Accounting Policies and Controls

Accounting policies and estimates

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies used in the preparation of the condensed interim consolidated financial statements are consistent with those used in the Bank's audited consolidated financial statements for the year ended October 31, 2018 as described in Note 3 of the Bank's 2018 annual consolidated financial statements, except for changes to the accounting for revenue from contracts with customers as a result of adopting IFRS 15, *Revenue from Contracts with Customers* discussed in Note 3 and 4 of the condensed interim consolidated financial statements.

Future accounting developments

There are no significant updates to the future accounting developments disclosed in Note 5 of the Bank's audited consolidated financial statements in the 2018 Annual Report, other than the following:

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which will replace IAS 17, *Leases* ("IAS 17"), requiring a lessee to recognize an asset for the right to use the leased item and a liability for the present value of its future lease payments. IFRS 16 will result in all operating leases being recorded on the Bank's balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability. The Bank will also recognize amortization expense on the ROU asset and interest expense on the lease liability in the statement of income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

IFRS 16 is effective for the Bank on November 1, 2019. The Bank plans to adopt IFRS16 by adjusting the Consolidated Statement of Financial Position on the date of adoption with no restatement of comparative periods.

The most significant impact to the Bank will be related to property leases that are currently classified as operating leases being recorded on the balance sheet. The Bank has made good progress in line with its project plan and is in the process of assessing its lease portfolio and modifying its processes, controls and lease accounting systems. The Bank continues to assess the decisions required in the key areas of judgment such as lease term and use of appropriate discount rates. The quantitative impact upon adoption will be finalized by the end of this fiscal year.

IFRS 17 – *Insurance Contracts*

The Bank is required to adopt IFRS 17 *Insurance Contracts* ("IFRS 17") on November 1, 2021. The standard will impact the Bank's Canadian and International insurance businesses. The standard impacts the recognition and measurement of insurance contracts.

The IASB is proposing some amendments to IFRS 17, including a proposal to defer the effective date, by one year, to annual periods on or after January 1, 2022. The Bank will continue to monitor developments related to the standard and provide further updates as final decisions are published by the IASB.

Changes in internal control over financial reporting

There have been no changes in the Bank's internal control over financial reporting during the three months ended April 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

Related party transactions

There were no changes to the Bank's procedures and policies for related party transactions from those outlined in the Bank's 2018 Annual Report. All transactions with related parties continued to be at market terms and conditions.

Economic Outlook

The global economy is slowing following a period of robust expansion. Global growth is nevertheless expected to remain solid, though risks to the outlook generally tilt to the downside owing in large part to US trade policy. Though Canadian growth is now expected to be slower than thought earlier this year, the economy remains on good footing as a result of a sharp rebound in equity markets since last fall and a rebound in the price of Canadian oil. There is now solid evidence that Canada has moved beyond the soft patch experienced late in 2018 and earlier this year as economic indicators in Canada and in the US are generally positive and employment reports continue to suggest very strong demand for workers, leading to solid increases in labour income. Economic growth in Canadian is expected to hover slightly below its potential growth of 1.7% this year. Underlying measures of inflation are expected to remain around the 2% level targeted by the Bank of Canada. To keep inflation around this target, we expect the Bank of Canada to gradually resume its withdrawal of monetary stimulus later this year, though at a more subdued pace than anticipated earlier, while keeping its policy rates well below their neutral level.

Following two quarters of exceptional growth driven by the early-2018 fiscal stimulus package, US growth is slowing to a more sustainable pace. Growth is expected to decelerate into 2019 and average 2.4% for the year, reflecting the diminishing impact from the 2018 tax reforms and spending package. The Federal Reserve is expected to raise its policy rate by another 25 basis points at the end of the calendar year and leave rates at that level beyond that.

Growth of around 1.5% is anticipated in 2019 in Mexico, following the 2.0% expected for 2018. Markets currently have a sanguine view on the Mexican economy but that could change should policy developments disappoint. Growth prospects are much more solid in other Pacific Alliance Countries. The Colombian and Peruvian outlooks are stronger in 2019 than in 2018 and expected to grow by 3.4% and 4%, respectively, owing to a range of economic and political factors. In Chile, though growth will moderate from the rapid pace set last year, its economy is expected to advance 3.2% in 2019, well above the forecast growth rates in Canada and the United States.

Share Data

As at April 30, 2019	**Amount *($ millions)***	**Dividends declared per share[1]**	**Number outstanding *(000s)***	**Conversion feature**
Common shares[2]	$ 18,284	$ 0.87	1,222,388	n/a
Preferred shares				
Preferred shares Series 30[3]	154	0.113750	6,143	Series 31
Preferred shares Series 31[3]	111	0.165296	4,457	Series 30
Preferred shares Series 32[3]	279	0.128938	11,162	Series 33
Preferred shares Series 33[3]	130	0.186488	5,184	Series 32
Preferred shares Series 34[3][4]	350	0.343750	14,000	Series 35
Preferred shares Series 36[3][4]	500	0.343750	20,000	Series 37
Preferred shares Series 38[3][4]	500	0.303125	20,000	Series 39
Preferred shares Series 40[3][4]	300	0.303125	12,000	Series 41

Additional Tier 1 securities	**Amount *($ millions)***	**Distribution**	**Yield *(%)***	**Number outstanding *(000s)***
Scotiabank Trust Securities – Series 2006-1 issued by Scotiabank Capital Trust[5]	$ 750	$ 28.25	5.650	750
Scotiabank Tier 1 Securities – Series 2009-1 issued by Scotiabank Tier 1 Trust[5]	650	39.01	7.802	650
Subordinated additional Tier 1 capital securities (NVCC)[4][6]	US$ 1,250	US$ 23.25	4.650	1,250

NVCC Subordinated debentures[4]	**Amount *($ millions)***	***Interest rate (%)***
Subordinated debentures due March 2027	$ 1,250	2.58
Subordinated debentures due December 2025	750	3.37
Subordinated debentures due December 2025	US$ 1,250	4.50
Subordinated debentures due January 2029	1,750	3.89

Options	**Number outstanding *(000s)***
Outstanding options granted under the Stock Option Plans to purchase common shares[2]	13,070

(1) Dividends on common shares are paid quarterly, if and when declared. Dividends declared as at May 28, 2019. The Board of Directors, at its meeting on May 27, 2019, approved a dividend of 87 cents per share payable to shareholders of record as of July 2, 2019 on July 29, 2019.
(2) As at May 17, 2019, the number of outstanding common shares and options were 1,222,247 thousand and 12,833 thousand, respectively.
(3) These preferred shares are entitled to non-cumulative preferential cash dividends payable quarterly. These preferred shares have conversion features. Refer to Note 24 of the Consolidated Financial Statements in the Bank's 2018 Annual Report for further details.
(4) These securities contain Non-Viability Contingent Capital (NVCC) provisions necessary to qualify as regulatory capital under Basel III. The Bank's 2018 Annual Report describes the conditions under which the conversion occurs and the conversion mechanics of NVCC Subordinated Debentures (Note 21), NVCC Subordinated additional Tier 1 capital securities (Note 24) and NVCC Preferred Shares (Note 24). The maximum number of common shares issuable on conversion of NVCC subordinated debentures, NVCC subordinated additional Tier 1 capital securities, and NVCC preferred shares as at April 30, 2019 would be 2,376 million common shares based on the floor price and excluding the impact of any accrued and unpaid interest and any declared but unpaid dividends.
(5) These securities have exchange features. Refer to Table 27 in the Bank's 2018 Annual Report for further details.
(6) Semi-annual distributions are recorded in the second and fourth fiscal quarters, if and when paid.

For further details on outstanding securities of the Bank, including convertibility features, refer to Notes 21, 24 and 26 of the Bank's consolidated financial statements in the 2018 Annual Report.