NATIONAL BANK

PRESS RELEASE | FOURTH QUARTER 2016

National Bank reports its results for the fourth quarter and year-end of 2016 and raises its quarterly dividend by 2% to 56 cents per share

The financial information reported herein is based on the unaudited interim condensed consolidated financial statements for the fourth quarter of fiscal 2016 and on the audited annual consolidated financial statements for the year ended October 31, 2016 and has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are presented in Canadian dollars.

MONTREAL, December 2, 2016 – For the fourth quarter of 2016, National Bank is reporting net income of $307 million compared to $347 million in the fourth quarter of 2015 as well as fourth-quarter diluted earnings per share of $0.78 versus $0.95 in the same quarter of last year.

Excluding specified items, the 2016 fourth-quarter adjusted net income totalled $463 million, up 11% from $417 million in the same quarter of 2015, and adjusted fourth-quarter diluted earnings per share stood at $1.24, a 7% increase from $1.16 in the same quarter of 2015. The specified items are described on page 2.

For fiscal 2016, the Bank's net income totalled $1,256 million compared to $1,619 million in fiscal 2015, and its 2016 diluted earnings per share stood at $3.29 versus $4.51 in fiscal 2015. Excluding specified items, adjusted net income for the year ended October 31, 2016 totalled $1,613 million, down 4% from $1,682 million in fiscal 2015, and the fiscal 2016 adjusted diluted earnings per share stood at $4.35, down 7% from $4.70 in fiscal 2015. These decreases came essentially from a sectoral provision for credit losses of $183 million, net of income taxes, recorded for producers and service companies in the oil and gas sector in the second quarter of 2016.

"The Bank achieved excellent results in the fourth quarter thanks to strong performance in each business segment. Furthermore, as at October 31, 2016, the Common Equity Tier 1 (CET1) capital ratio stands at 10.1%," said Louis Vachon, President and Chief Executive Officer of National Bank. "The Bank is continuing its transformation to make the organization even more streamlined and efficient such that it can consistently respond to client requirements with agility."

Highlights

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2016	2015	% Change	**2016**	2015	% Change
Net income	**307**	347	(12)	**1,256**	1,619	(22)
Diluted earnings per share *(dollars)*	**$ 0.78**	$ 0.95	(18)	**$ 3.29**	$ 4.51	(27)
Return on common shareholders' equity	**11.0 %**	13.6 %		**11.7 %**	16.9 %	
Dividend payout ratio	**66 %**	45 %		**66 %**	45 %	
Excluding specified items[1]						
Net income	**463**	417	11	**1,613**	1,682	(4)
Diluted earnings per share *(dollars)*	**$ 1.24**	$ 1.16	7	**$ 4.35**	$ 4.70	(7)
Return on common shareholders' equity	**17.4 %**	16.6 %		**15.5 %**	17.6 %	
Dividend payout ratio	**50 %**	43 %		**50 %**	43 %	

	As at October 31, 2016	As at October 31, 2015
CET1 capital ratio under Basel III	**10.1 %**	9.9 %
Leverage ratio under Basel III	**3.7 %**	3.7 %

(1) See the Financial Reporting Method section on page 2.

FINANCIAL REPORTING METHOD

The Bank's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB. The Bank also uses non-IFRS financial measures when assessing its results and measuring Bank-wide performance. Presenting such information helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items to not be reflective of ordinary operations. Securities regulators require companies to caution readers that net income and other measures adjusted using non-IFRS criteria are not standard under IFRS and cannot be easily compared with similar measures used by other companies.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2016	2015	% Change	**2016**	2015	% Change
Net income excluding specified items						
Personal and Commercial	**196**	183	7	**574**	711	(19)
Wealth Management	**91**	75	21	**347**	322	8
Financial Markets	**191**	162	18	**720**	714	1
Other	**(15)**	(3)		**(28)**	(65)	
Net income excluding specified items	**463**	417	11	**1,613**	1,682	(4)
Items related to holding restructured notes(1)	**(1)**	(2)		**(6)**	50	
Acquisition-related items(2)	**(9)**	(6)		**(42)**	(27)	
Restructuring charge(3)	**(96)**	(62)		**(96)**	(62)	
Impairment losses on intangible assets(4)	**(32)**	–		**(32)**	(33)	
Litigation charges(5)	**(18)**	–		**(18)**	–	
Write-off of an equity interest in an associate(6)	**–**	–		**(145)**	–	
Impact of changes to tax measures(7)	**–**	–		**(18)**	–	
Gain on disposal of Fiera Capital shares(8)	**–**	–		**–**	25	
Share of current tax asset write-down of an associate(9)	**–**	–		**–**	(16)	
Net income	**307**	347	(12)	**1,256**	1,619	(22)
Diluted earnings per share excluding specified items	**$ 1.24**	$ 1.16	7	**$ 4.35**	$ 4.70	(7)
Items related to holding restructured notes(1)	**(0.01)**	(0.01)		**(0.02)**	0.15	
Acquisition-related items(2)	**(0.03)**	(0.01)		**(0.13)**	(0.08)	
Restructuring charge(3)	**(0.28)**	(0.19)		**(0.28)**	(0.19)	
Impairment losses on intangible assets(4)	**(0.09)**	–		**(0.09)**	(0.10)	
Litigation charges(5)	**(0.05)**	–		**(0.05)**	–	
Write-off of an equity interest in an associate(6)	**–**	–		**(0.43)**	–	
Impact of changes to tax measures(7)	**–**	–		**(0.05)**	–	
Premium paid on preferred shares redeemed for cancellation(10)	**–**	–		**(0.01)**	–	
Gain on disposal of Fiera Capital shares(8)	**–**	–		**–**	0.08	
Share of current tax asset write-down of an associate(9)	**–**	–		**–**	(0.05)	
Diluted earnings per share	**$ 0.78**	$ 0.95	(18)	**$ 3.29**	$ 4.51	(27)

(1) During the quarter ended October 31, 2016, the Bank recorded $2 million in financing costs ($1 million net of income taxes) related to holding restructured notes (2015: $6 million, $5 million net of income taxes). In addition, during the quarter ended October 31, 2015, it had recorded $4 million in revenues ($3 million net of income taxes), primarily to reflect a rise in the fair value of these notes. During the year ended October 31, 2016, the Bank recorded $9 million in financing costs ($6 million net of income taxes) related to holding restructured notes (2015: $20 million, $16 million net of income taxes). Furthermore, during fiscal 2015, the Bank had recorded $53 million in revenues ($39 million net of income taxes) to reflect capital repayments and a rise in the fair value of these notes as well as a gain of $37 million ($27 million net of income taxes) upon the disposal of the restructured notes of the MAV III conduits.

(2) During the quarter ended October 31, 2016, the Bank recorded $11 million in charges ($9 million net of income taxes) related to acquisitions (2015: $7 million, $6 million net of income taxes). For the year ended October 31, 2016, these charges stood at $53 million ($42 million net of income taxes) and, for the same period in 2015, they were $34 million ($27 million net of income taxes). These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the charges related to its equity interest in TMX Group Limited (TMX), particularly goodwill and intangible asset impairment losses of $18 million ($13 million net of income taxes) recorded in fiscal 2016.

(3) During the quarter ended October 31, 2016, the Bank recorded a $131 million restructuring charge, $96 million net of income taxes (2015: $86 million, $62 million net of income taxes). These charges consisted essentially of severance pay.

(4) During the quarter ended October 31, 2016, the Bank recorded $44 million ($32 million net of income taxes) in intangible asset impairment losses on technological developments (2015: nil). During the year ended October 31, 2015, the Bank had recorded $46 million ($33 million net of income taxes) in intangible asset impairment losses on technological developments.

(5) During the quarter ended October 31, 2016, the Bank recorded $25 million in litigation charges ($18 million net of income taxes) related to resolving litigation and other disputes arising from claims, ongoing or potential, made against the Bank (2015: nil).

(6) During the year ended October 31, 2016, the Bank wrote off its equity interest in associate Maple Financial Group Inc. (Maple) in an amount of $164 million ($145 million net of income taxes) following the February 6, 2016 event described in the Consolidated Balance Sheet section on page 11.

(7) During the year ended October 31, 2016, an $18 million tax provision was recorded to reflect the impact of substantively enacted changes to tax measures.

(8) During the year ended October 31, 2015, a gain, net of underwriting fees, of $29 million ($25 million net of income taxes) had been recorded upon a disposal of shares held in Fiera Capital through one of the Bank's subsidiaries.

(9) During the year ended October 31, 2015, a loss of $18 million ($16 million net of income taxes) had been recorded following a write-down of an associate's current tax asset.

(10) During the year ended October 31, 2016, a $3 million premium was paid on the Series 20 First Preferred Shares redeemed for cancellation.

HIGHLIGHTS

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2016	2015	% Change	2016	2015	% Change
Operating results						
Total revenues	1,569	1,405	12	5,840	5,746	2
Net income	307	347	(12)	1,256	1,619	(22)
Net income attributable to the Bank's shareholders	289	328	(12)	1,181	1,549	(24)
Return on common shareholders' equity	11.0 %	13.6 %		11.7 %	16.9 %	
Earnings per share						
Basic	$ 0.79	$ 0.96	(18)	$ 3.31	$ 4.56	(27)
Diluted	0.78	0.95	(18)	3.29	4.51	(27)
Excluding specified items(1)						
Operating results						
(taxable equivalent basis) (2)						
Total revenues	1,632	1,473	11	6,279	5,982	5
Net income	463	417	11	1,613	1,682	(4)
Net income attributable to the Bank's shareholders	445	398	12	1,538	1,612	(5)
Return on common shareholders' equity	17.4 %	16.6 %		15.5 %	17.6 %	
Efficiency ratio	58.5 %	59.0 %		58.2 %	58.6 %	
Earnings per share						
Basic	$ 1.25	$ 1.17	7	$ 4.38	$ 4.75	(8)
Diluted	1.24	1.16	7	4.35	4.70	(7)
Common share information						
Dividends declared	$ 0.55	$ 0.52		$ 2.18	$ 2.04	
Book value				28.52	28.26	
Share price						
High	47.88	46.33		47.88	55.06	
Low	44.14	40.75		35.83	40.75	
Close	47.88	43.31		47.88	43.31	
Number of common shares *(thousands)*	338,053	337,236		338,053	337,236	
Market capitalization	16,186	14,606		16,186	14,606	

(millions of Canadian dollars)	As at October 31, 2016	As at October 31, 2015	% Change
Balance sheet and off-balance-sheet			
Total assets	232,206	216,090	7
Loans and acceptances	126,178	115,238	9
Impaired loans, net of total allowances	(289)	(112)	
As a % of average loans and acceptances	(0.2) %	(0.1) %	
Deposits	139,907	128,830	9
Equity attributable to common shareholders	9,642	9,531	1
Assets under administration and under management	398,216	358,139	11
Earnings coverage	7.84	10.49	
Asset coverage	10.04	6.78	
Regulatory ratios under Basel III			
Capital ratios(3)			
Common Equity Tier 1 (CET1)	10.1 %	9.9 %	
Tier 1(4)	13.5 %	12.5 %	
Total(4)(5)	15.3 %	14.0 %	
Leverage ratio(3)	3.7 %	3.7 %	
Liquidity coverage ratio (LCR)	134 %	131 %	
Other information			
Number of employees(6)	21,770	20,189	8
Number of branches in Canada	450	452	–
Number of banking machines	938	930	1

(1) See the Financial Reporting Method section on page 2.
(2) For additional information, see the Segment Disclosures section on page 18.
(3) The ratios are calculated using the "all-in" methodology.
(4) The ratios as at October 31, 2015 include the redemption of the Series 20 preferred shares on November 15, 2015.
(5) The ratio as at October 31, 2015 includes the $500 million redemption of medium-term notes on November 2, 2015.
(6) Number of employees includes employees from Credigy Ltd. and Advanced Bank of Asia Limited.

FINANCIAL ANALYSIS

This press release should be read in conjunction with the *2016 Annual Report* (which includes the audited annual consolidated financial statements and MD&A) available on the Bank's website at nbc.ca. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

Consolidated Results

On November 1, 2015, the Bank had reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of the income reported in the Personal and Commercial segment. Accordingly, for the quarter ended October 31, 2015, an amount of $9 million reported in *Non-interest income – Credit fees* was reclassified to *Net interest income* ($39 million for the year ended October 31, 2015). This reclassification had no impact on *Net income*.

Total Revenues

For the fourth quarter of 2016, the Bank's total revenues amounted to $1,569 million, up $164 million or 12% from the same quarter of 2015. Fourth-quarter net interest income was up year over year, mainly due to increases in personal and commercial loans and deposits, to net interest income growth in the Wealth Management segment that was partly driven by the CashPerformer account, to net interest income growth at Credigy Ltd., and to the revenues generated by the subsidiary Advanced Bank of Asia Limited (ABA). Fourth-quarter non-interest income also increased when compared to the fourth quarter of 2015, particularly due to increases in trading revenues, gains on available-for-sale securities, underwriting and advisory fees, mutual fund revenues and revenues from deposit and payment service charges. These increases were partly offset by a decrease in the share in the net income of associates and joint ventures and by a lower portion of the Credigy Ltd. revenues being reported in non-interest income. Excluding the specified items related to holding restructured notes and related to the Wealth Management segment's acquisitions, adjusted total revenues on a taxable equivalent basis amounted to $1,632 million, up 11% from $1,473 million in the fourth quarter of 2015.

For the year ended October 31, 2016, total revenues amounted to $5,840 million, up 2% from $5,746 million in fiscal 2015. This increase came essentially from 10% growth in net interest income that can be attributed to the same reasons provided for the quarter. Non-interest income for fiscal 2016 was down $180 million year over year, mainly due to the $164 million write-off of the equity interest in Maple recorded during the year. In addition, there were year-over-year decreases in trading revenues, underwriting and advisory fees, securities brokerage commissions, gains on available-for-sale securities, foreign exchange revenues and the Bank's share in the net income of associates and joint ventures. These decreases were partly offset by revenue growth at the Credigy Ltd. subsidiary as well as by increases in mutual fund revenues, credit fee revenues, revenues from deposit and payment service charges, and insurance revenues. Excluding the specified items related to holding restructured notes, to the Wealth Management acquisitions in the years ended October 31, 2016 and 2015, to the Bank's share in the goodwill and intangible asset impairment losses resulting from its equity interest in TMX, to the write-off of its equity interest in Maple during the first quarter of 2016, to the gain on the disposal of Fiera Capital shares, and to the loss resulting from the share in the current tax asset write-down of an associate recorded during fiscal 2015, adjusted total revenues on a taxable equivalent basis amounted to $6,279 million for the year ended October 31, 2016, up 5% from $5,982 million in fiscal 2015.

Provisions for Credit Losses

For the fourth quarter of 2016, the Bank recorded $59 million in provisions for credit losses, $2 million less than in the same quarter of 2015, mainly because of lower provisions for credit losses on credit cards and on Personal Banking and Commercial Banking loans, which more than offset the higher loan losses in the Financial Markets segment attributable to the Credigy Ltd. subsidiary.

For the year ended October 31, 2016, the Bank recorded $484 million in provisions for credit losses, $256 million more than in fiscal 2015. This increase came essentially from the sectoral provision for credit losses recorded for producers and service companies in the oil and gas sector in the second quarter of 2016.

As at October 31, 2016, gross impaired loans stood at $492 million, up $35 million since October 31, 2015. This increase came from the commercial loan portfolio and was partly offset by a decrease in impaired loans in the personal loan portfolio. Impaired loans represented 6.3% of the tangible capital adjusted for allowances as at October 31, 2016, up 0.4 percentage points from 5.9% as at October 31, 2015. Allowances for credit losses exceeded gross impaired loans by $289 million as at October 31, 2016 versus $112 million as at October 31, 2015.

Non-Interest Expenses

For the fourth quarter of 2016, non-interest expenses stood at $1,159 million, a 21% year-over-year increase that was partly due to the $131 million restructuring charge recorded in the fourth quarter of 2016, which was higher than the $86 million restructuring charge recorded in the fourth quarter of 2015. These charges consisted mainly of severance pay. The higher non-interest expenses also reflect intangible asset impairment losses of $44 million and litigation charges of $25 million recorded during the fourth quarter of 2016. In addition, there were increases in compensation and employee benefits, technology expenses given intensified investment, and professional fees, particularly the management fees associated with business growth at the Credigy Ltd. subsidiary. Lastly, part of the increase was also attributable to the new ABA subsidiary. Excluding specified items, adjusted non-interest expenses stood at $954 million in the fourth quarter of 2016 compared to $869 million in the same quarter of 2015.

For the year ended October 31, 2016, non-interest expenses stood at $3,875 million, a $210 million or 6% increase from $3,665 million in fiscal 2015. This annual increase in non-interest expenses can be attributed to the same reasons provided for the quarter, except for compensation and employee benefits, which were stable year over year, and except for the $44 million in intangible asset impairment losses, as an amount of $46 million for such impairment losses had also been recorded in 2015. Excluding the specified items for 2016 and 2015, adjusted non-interest expenses increased by $148 million or 4% year over year.

Income Taxes

For the fourth quarter of 2016, income taxes stood at $44 million compared to $37 million in the fourth quarter of 2015. The 2016 fourth-quarter effective income tax rate was 13% versus 10% in the same quarter of 2015, as there was less tax-exempt dividend income year over year.

For the year ended October 31, 2016, the effective tax rate stood at 15% compared to 13% in fiscal 2015. The change in the effective tax rate came mainly from a tax provision recorded during the second quarter of 2016 to reflect the impact of substantively enacted changes to tax measures, from a year-over-year decrease in tax-exempt dividend income, and from the gain on the disposal of Fiera Capital shares recorded in 2015.

Results by Segment

The Bank carries out its activities in three business segments. For presentation purposes, other operating activities, certain international activities, and Corporate Treasury activities are grouped in the *Other* heading. Each reportable segment is distinguished by services offered, type of clientele and marketing strategy.

Personal and Commercial

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2016	2015[1]	% Change	**2016**	2015[1]	% Change
Operating results						
Net interest income	**493**	473	4	**1,919**	1,825	5
Non-interest income	**247**	248	–	**982**	1,002	(2)
Total revenues	**740**	721	3	**2,901**	2,827	3
Non-interest expenses	**418**	411	2	**1,640**	1,630	1
Contribution	**322**	310	4	**1,261**	1,197	5
Provisions for credit losses[2]	**54**	60	(10)	**475**	225	
Income before income taxes	**268**	250	7	**786**	972	(19)
Income taxes	**72**	67	7	**212**	261	(19)
Net income	**196**	183	7	**574**	711	(19)
Net income excluding sectoral provision[2]				**757**	711	6
Net interest margin[3]	**2.26 %**	2.25 %		**2.23 %**	2.24 %	
Average interest-bearing assets	**86,836**	83,409	4	**85,987**	81,339	6
Average assets	**91,632**	88,978	3	**91,067**	86,886	5
Average loans and acceptances	**91,290**	88,566	3	**90,718**	86,493	5
Net impaired loans	**275**	249	10	**275**	249	10
Net impaired loans as a % of average loans and acceptances	**0.3 %**	0.3 %		**0.3 %**	0.3 %	
Average deposits	**50,559**	45,715	11	**48,436**	44,585	9
Efficiency ratio	**56.5 %**	57.0 %		**56.5 %**	57.7 %	

(1) For the quarter and year ended October 31, 2015, certain amounts have been revised from those previously reported, including a reclassification between *Non-interest income – Credit fees* and *Net interest income* to better reflect the nature of the income. In addition, the restructuring charge recognized in the quarter and year ended October 31, 2015, which had been allocated among all the Bank's business segments, has been combined into the *Other* heading to reflect the presentation adopted in fiscal 2016.

(2) For the year ended October 31, 2016, the provisions for credit losses included a $250 million sectoral provision ($183 million net of income taxes) on non-impaired loans recorded for the oil and gas producer and service company loan portfolio. Given the materiality of this sectoral provision, recorded in accordance with IFRS, net income excluding the sectoral provision has been presented to provide a better assessment of the segment's results. See the Financial Reporting Method on page 2.

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

The Personal and Commercial segment posted net income of $196 million in the fourth quarter of 2016, a 7% increase from $183 million in the fourth quarter of 2015. The segment's total revenues rose $19 million, mainly due to $20 million in net interest income growth in the fourth quarter of 2016. This higher net interest income came mainly from growth in personal and commercial loans and deposits. The net interest margin stood at 2.26% in the fourth quarter of 2016 versus 2.25% in the fourth quarter of 2015.

Personal Banking's fourth-quarter total revenues increased by $11 million compared to the same quarter of 2015. The increase came mainly from growth in loan and deposit volumes, tempered by lower net interest margins, and from an increase in the credit card balance outstanding. In addition, insurance revenues, revenues from credit fees, and credit card revenues were up. Commercial Banking's fourth-quarter total revenues rose $8 million, mainly due to growth in loan and deposit volumes. This increase was partly offset by decreases in revenues from bankers' acceptances and in revenues from foreign exchange and derivative financial instrument activities.

The Personal and Commercial segment's fourth-quarter non-interest expenses were up $7 million or 2% year over year, mainly due to higher credit-card-related expenses and operations support charges. At 56.5%, the fourth-quarter efficiency ratio improved by 0.5 percentage points when compared to the same quarter of 2015. The segment's fourth-quarter provisions for credit losses were $54 million, $6 million less than in the same quarter of 2015. This decrease came mainly from provisions for credit losses on personal and commercial loans and on credit cards.

For the year ended October 31, 2016, the Personal and Commercial segment posted net income of $574 million, down from $711 million in fiscal 2015. This change was mainly due to the $250 million ($183 million net of income taxes) sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio during the second quarter of 2016. The segment's fiscal 2016 total revenues grew 3% year over year. Higher net interest income reflected growth in loan and deposit volumes, tempered by lower margins. Personal Banking's non-interest income was up, mainly due to revenues from deposit and payment service charges, partly offset by lower credit card revenues. Commercial Banking's non-interest income was down, mainly due to revenues from credit fees and revenues from foreign exchange and derivative financial instrument activities. Non-interest expenses stood at $1,640 million in 2016, a 1% year-over-year increase that can be attributed to the same reasons provided for the quarter and to a decrease in compensation and employee benefits. The segment's fiscal 2016 contribution rose by $64 million or 5%. Personal and Commercial's provisions for credit losses were up $250 million from fiscal 2015 given the sectoral provision recorded in the second quarter of 2016. At 56.5% for the year ended October 31, 2016, the efficiency ratio improved by 1.2 percentage points versus fiscal 2015.

Wealth Management

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2016	2015 (1)	% Change	2016	2015 (1)	% Change
Operating results						
Net interest income	**98**	81	21	**372**	323	15
Fee-based revenues	**212**	195	9	**802**	761	5
Transaction-based and other revenues	**61**	63	(3)	**266**	335	(21)
Total revenues	**371**	339	9	**1,440**	1,419	1
Non-interest expenses	**255**	243	5	**998**	983	2
Contribution	**116**	96	21	**442**	436	1
Provisions for credit losses	**1**	1		**5**	3	
Income before income taxes	**115**	95	21	**437**	433	1
Income taxes	**31**	25	24	**116**	110	5
Net income	**84**	70	20	**321**	323	(1)
Specified items after income taxes (2)	**7**	5		**26**	(1)	
Net income excluding specified items (2)	**91**	75	21	**347**	322	8
Average assets	**11,053**	10,701	3	**11,006**	10,388	6
Average loans and acceptances	**9,448**	9,095	4	**9,379**	8,772	7
Net impaired loans	**5**	5		**5**	5	
Average deposits	**29,584**	24,908	19	**27,859**	24,494	14
Efficiency ratio excluding specified items (2)	**66.7 %**	70.0 %		**67.3 %**	68.6 %	

(1) For the quarter and year ended October 31, 2015, certain amounts have been revised from those previously reported. In addition, the restructuring charge recognized in the quarter and year ended October 31, 2015, which had been allocated among all the Bank's business segments, has been combined into the *Other* heading to reflect the presentation adopted in fiscal 2016.

(2) See the Financial Reporting Method section on page 2.

In the Wealth Management segment, net income totalled $84 million in the fourth quarter of 2016, a 20% increase from $70 million in the same quarter of 2015. Excluding specified items, which include the acquisition-related items of recent years, Wealth Management's 2016 fourth-quarter adjusted net income totalled $91 million, up 21% from $75 million in the same quarter of 2015. The segment's fourth-quarter total revenues amounted to $371 million, up 9% from $339 million in the fourth quarter of 2015. This revenue increase came mainly from growth in the segment's net interest income, which was driven by the CashPerformer account and brokerage accounts, and from higher fee-based revenues. The segment's fourth-quarter transaction-based and other revenues were down 3% year over year.

For the fourth quarter of 2016, the segment's non-interest expenses stood at $255 million, a 5% year-over-year increase attributable mainly to the higher variable compensation and external management fees associated with growth in the segment's business volume that led to higher revenues. Excluding specified items, the fourth-quarter efficiency ratio was 66.7%, an improvement of 3.3 percentage points from the same quarter of 2015.

At $321 million for the year ended October 31, 2016, the Wealth Management segment's net income was relatively stable compared to $323 million in fiscal 2015. Excluding specified items, which include the acquisition-related items of recent years and a gain on the disposal of Fiera Capital shares recorded in 2015, adjusted net income totalled $347 million for the year ended October 31, 2016, up $25 million or 8% from fiscal 2015. The segment's total revenues amounted to $1,440 million compared to $1,419 million during the year ended October 31, 2015. This increase came from growth in net interest income and from the higher fee-based revenues associated with a migration of assets from transactional accounts to fee-based accounts. These increases more than offset the decrease in transaction-based and other revenues, which was essentially due to the fact that, in fiscal 2015, a $34 million gain had been recorded on the disposal of Fiera Capital shares. Non-interest expenses stood at $998 million for the year ended October 31, 2016, a $15 million year-over-year increase that can be attributed to the same reasons provided for the quarter as well as to higher technology development expenses and operations support charges for the segment. Excluding specified items, the efficiency ratio was 67.3% for fiscal 2016, an improvement from 68.6% in fiscal 2015.

Financial Markets

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2016	2015[2]	% Change	**2016**	2015[2]	% Change
Operating results						
Trading activity revenues						
Equities	**118**	97	22	**438**	450	(3)
Fixed-income	**80**	63	27	**263**	237	11
Commodities and foreign exchange	**24**	35	(31)	**116**	147	(21)
	222	195	14	**817**	834	(2)
Financial market fees	**74**	57	30	**288**	286	1
Gains (losses) on available-for-sale securities, net	**5**	(10)		**16**	1	
Banking services	**91**	79	15	**322**	286	13
Credigy Ltd.	**80**	70	14	**324**	216	50
Other	**9**	13	(31)	**(130)**	79	
Total revenues	**481**	404	19	**1,637**	1,702	(4)
Non-interest expenses	**213**	184	16	**796**	743	7
Contribution	**268**	220	22	**841**	959	(12)
Provisions for credit losses	**4**	–		**4**	–	
Income before income taxes	**264**	220	20	**837**	959	(13)
Income taxes	**73**	58	26	**262**	261	–
Net income	**191**	162	18	**575**	698	(18)
Non-controlling interests	**3**	5		**18**	13	
Net income attributable to the Bank's shareholders	**188**	157	20	**557**	685	(19)
Specified items after income taxes[3]	**–**	–		**145**	16	
Net income excluding specified items[3]	**191**	162	18	**720**	714	1
Average assets	**98,689**	88,446	12	**91,928**	88,616	4
Average loans and acceptances (Corporate Banking only)	**13,364**	10,985	22	**12,552**	10,057	25
Average deposits	**15,062**	12,578	20	**13,719**	12,499	10
Efficiency ratio excluding specified items[3]	**44.3 %**	45.5 %		**44.2 %**	43.2 %	

(1) For additional information, see the Segment Disclosures section on page 18.
(2) For the quarter and year ended October 31, 2015, certain amounts have been revised from those previously reported. In addition, the restructuring charge recognized in the quarter and year ended October 31, 2015, which had been allocated among all the Bank's business segments, has been combined into the *Other* heading to reflect the presentation adopted in fiscal 2016.
(3) See the Financial Reporting Method section on page 2.

In the Financial Markets segment, net income totalled $191 million in the fourth quarter of 2016 compared to $162 million in the same quarter of 2015. On a taxable equivalent basis, the segment's fourth-quarter total revenues amounted to $481 million, a 19% increase from $404 million in the fourth quarter of 2015. Trading activity revenues were up 14%, mainly due to increases in revenues from equity securities and revenues from fixed-income securities, which rose by 22% and 27%, respectively. These increases were partly offset by a decrease in revenues from commodities and foreign exchange contracts. Fourth-quarter financial market fees grew 30% year over year, and banking service revenues grew 15%, particularly due to more robust credit activity. Gains on available-for-sale securities were recorded in the fourth quarter of 2016, whereas losses had been recorded in the same quarter of 2015. In addition, revenues from the Credigy Ltd. subsidiary rose $10 million due to sustained growth in specialty finance activities, whereas revenues from the segment's other activities were down $4 million compared to the fourth quarter of 2015.

For the fourth quarter of 2016, the segment's non-interest expenses stood at $213 million, a $29 million year-over-year increase that was mainly due to a rise in variable compensation associated with revenue growth, to an increase in expenses related to the Credigy Ltd. subsidiary, and to higher operations support charges. At 44.3%, the efficiency ratio improved by 1.2 percentage points when compared to the same quarter of 2015. Provisions for credit losses were up $4 million from the same quarter of 2015 due to provisions for credit losses recorded for the Credigy Ltd. subsidiary.

For the year ended October 31, 2016, Financial Markets posted net income of $575 million, down $123 million from fiscal 2015. On a taxable equivalent basis, total revenues amounted to $1,637 million versus $1,702 million in fiscal 2015, a $65 million decrease stemming essentially from a decline in the segment's other revenue item, which includes the $164 million write-off of the equity interest in associate Maple, whereas gains on investments had been realized during the year ended October 31, 2015. These decreases were partly offset by a $108 million increase in the revenues generated by the Credigy Ltd. subsidiary. In addition, banking service revenues were up 13%, while gains on available-for-sale securities increased $15 million year over year. Given market conditions, trading activity revenues decreased year over year whereas financial market fee revenues remained stable. The decrease in trading activity revenues arose essentially from equity securities and commodities and foreign exchange contracts, the revenues from which decreased by 3% and 21%, respectively, year over year. Excluding the write-off of the equity interest in associate Maple and the 2015 specified item of $16 million, net of income taxes, for the share in the current tax asset write-down of an associate, the segment's adjusted net income totalled $720 million for the year ended October 31, 2016, a 1% increase from fiscal 2015.

The segment's fiscal 2016 non-interest expenses increased year over year, mainly due to an increase in the expenses related to the Credigy Ltd. subsidiary and to higher operations support charges. Excluding specified items, the efficiency ratio was 44.2%, up 1.0 percentage point from fiscal 2015.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31		Year ended October 31	
	2016	2015[2]	**2016**	2015[2]
Operating results				
Net interest income	**(4)**	(34)	**(84)**	(151)
Non-interest income	**36**	39	**181**	260
Total revenues	**32**	5	**97**	109
Non-interest expenses	**273**	122	**441**	309
Income before income taxes	**(241)**	(117)	**(344)**	(200)
Income taxes (recovery)	**(77)**	(49)	**(130)**	(87)
Net income	**(164)**	(68)	**(214)**	(113)
Non-controlling interests	**15**	14	**57**	57
Net income attributable to the Bank's shareholders	**(179)**	(82)	**(271)**	(170)
Specified items after income taxes[3]	**149**	65	**186**	48
Net income excluding specified items[3]	**(15)**	(3)	**(28)**	(65)
Average assets	**41,910**	40,488	**41,912**	37,039

(1) For additional information, see the Segment Disclosures section on page 18.
(2) For the quarter and year ended October 31, 2015, certain amounts have been revised from those previously reported. In addition, the restructuring charge recognized in the quarter and year ended October 31, 2015, which had been allocated among all the Bank's business segments, has been combined into the *Other* heading to reflect the presentation adopted in fiscal 2016.
(3) See the Financial Reporting Method section on page 2.

For the *Other* heading of segment results, there was a net loss of $164 million in the fourth quarter of 2016 compared to a net loss of $68 million in the same quarter of 2015, essentially because of the specified items recorded during the fourth quarter of 2016. The specified items, net of income taxes, consisted of a $96 million restructuring charge (2015: $62 million), intangible asset impairment losses of $32 million (2015: nil) and litigation charges of $18 million (2015: nil). In addition, the fourth-quarter compensation and employee benefits and business development expenses were higher than those in the same quarter of 2015, particularly due to the ABA acquisition. These items were partly offset by a higher contribution from Treasury activities and by revenues arising from the ABA acquisition, which was completed in the third quarter of 2016 and that contributed $12 million to net income. Excluding specified items, there was an adjusted net loss of $15 million in the fourth quarter of 2016 compared to an adjusted net loss of $3 million in the same quarter of 2015.

For the year ended October 31, 2016, there was a net loss of $214 million compared to a net loss of $113 million in fiscal 2015, a change that can be attributed to the same reasons provided for the quarter, except for the intangible asset impairment losses of $32 million, as $33 million in such losses had also been recorded in 2015. Other fiscal 2015 items, net of income taxes, also explain this change, particularly the $39 million in revenues related to a rise in the fair value of restructured notes and the $27 million gain on the disposal of restructured notes of the MAV III conduits, with these revenues being partly offset by a $41 million non-taxable gain on a revaluation of the previously held equity interest in ABA recorded in the third quarter of 2016. Excluding specified items, there was a $28 million adjusted net loss for the year ended October 31, 2016 compared to a $65 million adjusted net loss in fiscal 2015. The lower loss was primarily due to the contribution of international investments.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at October 31, 2016	As at October 31, 2015	% Change
Assets			
Cash and deposits with financial institutions	8,183	7,567	8
Securities	64,541	56,040	15
Securities purchased under reverse repurchase agreements and securities borrowed	13,948	17,702	(21)
Loans and acceptances (net of allowances for credit losses)	126,178	115,238	9
Other	19,356	19,543	(1)
	232,206	216,090	7
Liabilities and equity			
Deposits	139,907	128,830	9
Other	79,185	74,383	6
Subordinated debt	1,012	1,522	(34)
Equity attributable to the Bank's shareholders	11,292	10,554	7
Non-controlling interests	810	801	1
	232,206	216,090	7

Assets

As at October 31, 2016, the Bank had total assets of $232.2 billion, a 7% or $16.1 billion increase from $216.1 billion as at October 31, 2015. Cash and deposits with financial institutions amounted to $8.2 billion on the balance sheet date, a $0.6 billion increase that was particularly due to the acquisition of the ABA subsidiary. Securities rose $8.5 billion since October 31, 2015, particularly given a $4.0 billion purchase of held-to-maturity securities and an increase in equity securities at fair value through profit or loss, whereas securities purchased under reverse repurchase agreements and securities borrowed decreased by $3.8 billion.

As at October 31, 2016, loans and acceptances, net of allowances for credit losses, increased by $11.0 billion since October 31, 2015 owing to growth in residential mortgage lending of $5.4 billion and in loans and acceptances to businesses and government of $3.7 billion. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at October 31, 2016	As at October 31, 2015
Loans and acceptances		
Consumer	31,787	29,864
Residential mortgage	48,868	43,520
Credit card receivables	2,177	2,069
Business and government	44,127	40,354
	126,959	115,807

Since October 31, 2015, consumer loans increased by 6%, primarily due to home equity lines of credit and personal loans. Rising 12%, residential mortgages also grew as a result of sustained demand for mortgage credit, the acquisition of the ABA subsidiary, and mortgages purchased for securitization purposes. Loans and acceptances to businesses increased by 9% since October 31, 2015, coming mainly from corporate financing and the activities of the Credigy Ltd. subsidiary.

As at October 31, 2016, derivative financial instruments totalled $10.4 billion, down $0.4 billion since October 31, 2015. This change should be analyzed along with the derivative financial instruments reported in liabilities, which, at $7.7 billion, were down $0.1 billion, resulting in a net decrease of $0.3 billion since October 31, 2015.

Liabilities

As at October 31, 2016, the Bank had total liabilities of $220.1 billion compared to $204.7 billion as at October 31, 2015.

As at October 31, 2016, the Bank's total deposit liability was $139.9 billion versus $128.8 billion as at October 31, 2015, an increase of $11.1 billion or 9%. The following table provides a breakdown of total personal savings.

(millions of Canadian dollars)	As at October 31, 2016	As at October 31, 2015
Balance sheet		
Deposits	**49,802**	45,981
Off-balance-sheet		
Full-service brokerage	**117,157**	105,395
Mutual funds	**28,706**	25,783
Other	**463**	636
	146,326	131,814
Total personal savings	**196,128**	177,795

At $49.8 billion as at October 31, 2016, personal deposits increased by $3.8 billion or 8% since October 31, 2015. Since the beginning of the fiscal year, personal savings included in assets under administration and under management were up $14.5 billion or 11% owing to excellent net inflows in the various distribution networks and to the stock market recovery.

At $83.2 billion, business and government deposits rose $8.8 billion since October 31, 2015 as a result of Bank initiatives to grow this type of deposit. At $6.9 billion, deposits from deposit-taking institutions decreased $1.5 billion since October 31, 2015, mainly due to deposits from U.S. government financial institutions and other international financial institutions. Other funding activities were up $4.8 billion since October 31, 2015, essentially due to an $8.8 billion increase in obligations related to securities sold under repurchase agreements and securities loaned, which reflects a greater level of funding and client activity, partly offset by a $3.1 billion decrease in obligations related to securities sold short.

Equity

As at October 31, 2016, the Bank's equity amounted to $12.1 billion, up $0.7 billion since October 31, 2015. This increase came mainly from the issuances of Series 34 and 36 preferred shares for an amount of $800 million, partly offset by the redemption of Series 20 preferred shares in an amount of $176 million. The stability of retained earnings is attributable to net income, net of dividends, offset by remeasurements of pension plans and other post-employment benefit plans.

As at November 25, 2016, there were 338,083,432 common shares and 17,207,070 stock options outstanding. For additional information on share capital, see Note 19 to the audited annual consolidated financial statements for the year ended October 31, 2016.

Maple Financial Group Inc.

Maple Financial Group Inc. (Maple) is a privately owned Canadian company that operated through direct and indirect wholly owned subsidiaries in Canada, Germany, the United Kingdom and the United States. The Bank has a 24.9% interest in that company. In August 2016, Maple filed for bankruptcy under the applicable Canadian laws, and a receiver was appointed to administer the company. Similar proceedings have been initiated for each of Maple's other material subsidiaries in their home jurisdictions.

Maple Bank GmbH, an indirect wholly owned subsidiary of Maple, has been the subject of an investigation into alleged tax irregularities by German prosecutors since September 2015 and that, to the Bank's knowledge, is ongoing. The Bank understands that the investigation is focusing on selected trading activities by Maple Bank GmbH and some of its current and former employees during taxation years 2006 to 2010. The German authorities have alleged that these trading activities violated German tax laws. Neither the Bank nor its employees were involved in these trading activities and, to the Bank's knowledge, are not the subject of this investigation.

On February 6, 2016, the German Federal Financial Supervisory Authority, BaFin, placed a moratorium on the business activities of Maple Bank GmbH, preventing it from carrying out its normal business activities. In light of the situation, the Bank wrote off the carrying value of its equity interest in Maple in an amount of $164 million ($145 million net of income taxes) during the first quarter of 2016. The $164 million write-off of the equity interest in this associate was recognized in the *Non-interest income – Other* item of the Consolidated Statement of Income for the year ended October 31, 2016 and is reported in the Financial Markets segment.

The Bank has advised the German authorities that if it is determined that portions of dividends received from Maple could be reasonably attributable to tax fraud by Maple Bank GmbH, arrangements will be made to repay those amounts to the relevant authority. If any repayments are required, they are not expected to be material to the Bank's financial position.

Acquisition

Advanced Bank of Asia Limited

On May 16, 2016, the Bank completed the acquisition of Advanced Bank of Asia Limited (ABA), a major Cambodian financial institution that offers financial products and services to individuals and businesses. This acquisition is part of the Bank's international growth strategy and, upon completion, brings the Bank's common share equity interest in ABA to 90%. The sum of the $119 million cash purchase price, of the fair value of the previously held interest, and of the estimated value of the non-controlling interest established at the acquisition date exceeds the fair value of the net assets acquired by $125 million. This excess amount was recorded on the Consolidated Balance Sheet as goodwill and mainly represents ABA's expected business growth in Cambodia. The goodwill from this acquisition is not deductible for tax purposes. The acquired receivables, consisting mainly of personal and commercial loans, had an estimated acquisition-date fair value of $754 million. This amount also represents the gross contractual amounts receivable that the Bank expects to fully recover.

For the year ended October 31, 2016, the amount of the acquisition-related costs included in *Non-interest expenses* in the Consolidated Statement of Income was negligible. During the year ended October 31, 2016, the Bank also recognized a $41 million non-taxable gain on the revaluation of its previously held equity interest in ABA in the *Non-interest income – Other* item of the Consolidated Statement of Income. For segment disclosure purposes, this gain and ABA's financial results have been included in the *Other* heading. ABA's results have been consolidated in the Bank's financial statements as of May 17, 2016. During the year ended October 31, 2016, ABA contributed approximately $43 million to the Bank's total revenues and approximately $21 million to its net income. Had the Bank completed the acquisition on November 1, 2015, it would have reported total revenues of approximately $5,873 million and net income of approximately $1,266 million for the year ended October 31, 2016.

Capital Management

Regulatory Capital Ratios

As at October 31, 2016, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 10.1%, 13.5% and 15.3%, i.e., above the regulatory requirements, compared to ratios of, respectively, 9.9%, 12.5% and 14.0% a year earlier. The increase in the CET1 capital ratio stems essentially from net income, net of dividends, and a decrease in risk-weighted assets. The increase in the Tier 1 and the Total capital ratios stems essentially from the above-mentioned factors and from the issuances of Series 34 and 36 preferred shares for $800 million, partly reduced by the Bank's redemption of the $225 million deposit note from NBC Capital Trust. Lastly, as at October 31, 2016, the leverage ratio stood at 3.7%, unchanged from October 31, 2015.

Regulatory Capital and Ratios Under Basel III(1)

(millions of Canadian dollars)	As at October 31, 2016	As at October 31, 2015
Capital		
CET1	6,865	6,801
Tier 1(2)	9,265	8,626
Total(2)(3)	10,506	9,678
Risk-weighted assets		
CET1 capital	68,205	68,835
Tier 1 capital	68,430	69,094
Total capital	68,623	69,316
Total exposure	253,097	234,957
Capital ratios		
CET1	10.1 %	9.9 %
Tier 1(2)	13.5 %	12.5 %
Total(2)(3)	15.3 %	14.0 %
Leverage ratio	3.7 %	3.7 %

(1) Figures are presented on an "all-in" basis.
(2) Figures as at October 31, 2015 include the redemption of the Series 20 preferred shares on November 15, 2015.
(3) Figures as at October 31, 2015 include the $500 million redemption of notes on November 2, 2015.

Dividends

On December 1, 2016, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 56 cents per common share, up 1 cent or 2%, payable on February 1, 2017 to shareholders of record on December 28, 2016.

CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at October 31, 2016	As at October 31, 2015
Assets		
Cash and deposits with financial institutions	8,183	7,567
Securities		
At fair value through profit or loss	45,964	41,997
Available-for-sale	14,608	14,043
Held-to-maturity	3,969	–
	64,541	56,040
Securities purchased under reverse repurchase agreements and securities borrowed	13,948	17,702
Loans		
Residential mortgage	48,868	43,520
Personal and credit card	33,964	31,933
Business and government	37,686	30,954
	120,518	106,407
Customers' liability under acceptances	6,441	9,400
Allowances for credit losses	(781)	(569)
	126,178	115,238
Other		
Derivative financial instruments	10,416	10,842
Due from clients, dealers and brokers	843	415
Purchased receivables	1,858	1,438
Investments in associates and joint ventures	645	831
Premises and equipment	1,338	1,817
Goodwill	1,412	1,277
Intangible assets	1,140	1,059
Other assets	1,704	1,864
	19,356	19,543
	232,206	216,090
Liabilities and equity		
Deposits		
Personal	49,802	45,981
Business and government	83,156	74,441
Deposit-taking institutions	6,949	8,408
	139,907	128,830
Other		
Acceptances	6,441	9,400
Obligations related to securities sold short	14,207	17,333
Obligations related to securities sold under repurchase agreements and securities loaned	22,636	13,779
Derivative financial instruments	7,725	7,756
Due to clients, dealers and brokers	2,699	1,871
Liabilities related to transferred receivables	20,131	19,770
Other liabilities	5,346	4,474
	79,185	74,383
Subordinated debt	1,012	1,522
Equity		
Equity attributable to the Bank's shareholders		
Preferred shares	1,650	1,023
Common shares	2,645	2,614
Contributed surplus	73	67
Retained earnings	6,706	6,705
Accumulated other comprehensive income	218	145
	11,292	10,554
Non-controlling interests	810	801
	12,102	11,355
	232,206	216,090

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2016	2015	**2016**	2015
Interest income				
Loans	**1,014**	886	**3,836**	3,570
Securities at fair value through profit or loss	**144**	174	**620**	695
Available-for-sale securities	**86**	77	**330**	286
Held-to-maturity securities	**13**	–	**24**	–
Deposits with financial institutions	**15**	10	**65**	30
	1,272	1,147	**4,875**	4,581
Interest expense				
Deposits	**395**	324	**1,435**	1,329
Liabilities related to transferred receivables	**100**	107	**404**	420
Subordinated debt	**8**	14	**33**	59
Other	**–**	7	**47**	91
	503	452	**1,919**	1,899
Net interest income	**769**	695	**2,956**	2,682
Non-interest income				
Underwriting and advisory fees	**91**	83	**376**	387
Securities brokerage commissions	**57**	59	**235**	273
Mutual fund revenues	**98**	82	**364**	320
Trust service revenues	**117**	115	**453**	446
Credit fees	**96**	95	**382**	370
Card revenues	**30**	28	**119**	128
Deposit and payment service charges	**68**	63	**258**	238
Trading revenues (losses)	**83**	30	**150**	209
Gains (losses) on available-for-sale securities, net	**12**	(10)	**70**	82
Insurance revenues, net	**29**	26	**114**	107
Foreign exchange revenues, other than trading	**19**	21	**81**	88
Share in the net income of associates and joint ventures	**2**	9	**15**	26
Other	**98**	109	**267**	390
	800	710	**2,884**	3,064
Total revenues	**1,569**	1,405	**5,840**	5,746
Provisions for credit losses	**59**	61	**484**	228
	1,510	1,344	**5,356**	5,518
Non-interest expenses				
Compensation and employee benefits	**556**	517	**2,161**	2,160
Occupancy	**59**	52	**233**	223
Technology	**182**	125	**587**	534
Communications	**16**	16	**67**	69
Professional fees	**83**	65	**276**	233
Restructuring charge	**131**	86	**131**	86
Other	**132**	99	**420**	360
	1,159	960	**3,875**	3,665
Income before income taxes	**351**	384	**1,481**	1,853
Income taxes	**44**	37	**225**	234
Net income	**307**	347	**1,256**	1,619
Net income attributable to				
Preferred shareholders	**23**	11	**64**	45
Common shareholders	**266**	317	**1,117**	1,504
Bank shareholders	**289**	328	**1,181**	1,549
Non-controlling interests	**18**	19	**75**	70
	307	347	**1,256**	1,619
Earnings per share *(dollars)*				
Basic	**0.79**	0.96	**3.31**	4.56
Diluted	**0.78**	0.95	**3.29**	4.51
Dividends per common share *(dollars)*	**0.55**	0.52	**2.18**	2.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2016	2015	**2016**	2015
Net income	**307**	347	**1,256**	1,619
Other comprehensive income, net of income taxes				
Items that may be subsequently reclassified to net income				
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**38**	(10)	**62**	114
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**(12)**	–
Impact of hedging net foreign currency translation gains (losses)	**(17)**	7	**(33)**	(107)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**5**	–
	21	(3)	**22**	7
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**23**	(121)	**113**	(75)
Net (gains) losses on available-for-sale securities reclassified to net income	**(13)**	3	**(74)**	(81)
	10	(118)	**39**	(156)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(23)**	31	**34**	14
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(5)**	(2)	**(18)**	(11)
	(28)	29	**16**	3
Share in the other comprehensive income of associates and joint ventures	**–**	2	**1**	4
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(34)**	67	**(257)**	61
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(22)**	–	**(66)**	–
	(56)	67	**(323)**	61
Total other comprehensive income, net of income taxes	**(53)**	(23)	**(245)**	(81)
Comprehensive income	**254**	324	**1,011**	1,538
Comprehensive income attributable to				
Bank shareholders	**234**	306	**931**	1,466
Non-controlling interests	**20**	18	**80**	72
	254	324	**1,011**	1,538

INCOME TAXES – OTHER COMPREHENSIVE INCOME

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

	Quarter ended October 31		Year ended October 31	
	2016	2015	**2016**	2015
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(3)**	(1)	**(1)**	5
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**(2)**	–
Impact of hedging net foreign currency translation gains (losses)	**(2)**	2	**(9)**	(18)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**2**	–
	(5)	1	**(10)**	(13)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**9**	(47)	**42**	(28)
Net (gains) losses on available-for-sale securities reclassified to net income	**(5)**	–	**(27)**	(31)
	4	(47)	**15**	(59)
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**(7)**	11	**13**	4
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(3)**	(1)	**(7)**	(4)
	(10)	10	**6**	–
Remeasurements of pension plans and other post-employment benefit plans	**(13)**	26	**(94)**	23
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(8)**	–	**(24)**	–
	(32)	(10)	**(107)**	(49)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (millions of Canadian dollars)

	Year ended October 31	
	2016	2015
Preferred shares at beginning	**1,023**	1,223
Issuance of Series 34 and 36 preferred shares	**800**	–
Redemption of Series 16 and 20 preferred shares for cancellation	**(173)**	(200)
Preferred shares at end	**1,650**	1,023
Common shares at beginning	**2,614**	2,293
Issuances of common shares		
Stock Option Plan	**43**	39
Public offering	**–**	300
Impact of shares purchased or sold for trading	**(12)**	(18)
Common shares at end	**2,645**	2,614
Contributed surplus at beginning	**67**	52
Stock option expense	**12**	20
Stock options exercised	**(6)**	(5)
Contributed surplus at end	**73**	67
Retained earnings at beginning	**6,705**	5,850
Net income attributable to the Bank's shareholders	**1,181**	1,549
Dividends		
Preferred shares	**(61)**	(45)
Common shares	**(736)**	(672)
Premium paid on preferred shares redeemed for cancellation	**(3)**	–
Share issuance expenses	**(11)**	(9)
Remeasurements of pension plans and other post-employment benefit plans	**(257)**	61
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(66)**	–
Impact of a financial liability resulting from put options written to non-controlling interests	**(46)**	(29)
Retained earnings at end	**6,706**	6,705
Accumulated other comprehensive income at beginning	**145**	289
Net foreign currency translation adjustments	**22**	7
Net change in unrealized gains (losses) on available-for-sale securities	**39**	(156)
Net change in gains (losses) on cash flow hedges	**11**	1
Share in the other comprehensive income of associates and joint ventures	**1**	4
Accumulated other comprehensive income at end	**218**	145
Equity attributable to the Bank's shareholders	**11,292**	10,554
Non-controlling interests at beginning	**801**	795
Net income attributable to non-controlling interests	**75**	70
Other comprehensive income attributable to non-controlling interests	**5**	2
Distributions to non-controlling interests	**(71)**	(66)
Non-controlling interests at end	**810**	801
Equity	**12,102**	11,355

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at October 31, 2016	As at October 31, 2015
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**26**	4
Net unrealized gains (losses) on available-for-sale securities	**51**	12
Net gains (losses) on instruments designated as cash flow hedges	**135**	124
Share in the other comprehensive income of associates and joint ventures	**6**	5
	218	145

SEGMENT DISCLOSURES

(unaudited) (millions of Canadian dollars)

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
Quarter ended October 31[1]	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income[2]	**493**	473	**98**	81	**235**	239	**(57)**	(98)	**769**	695
Non-interest income[2]	**247**	248	**273**	258	**246**	165	**34**	39	**800**	710
Total revenues	**740**	721	**371**	339	**481**	404	**(23)**	(59)	**1,569**	1,405
Non-interest expenses	**418**	411	**255**	243	**213**	184	**273**	122	**1,159**	960
Contribution	**322**	310	**116**	96	**268**	220	**(296)**	(181)	**410**	445
Provisions for credit losses	**54**	60	**1**	1	**4**	–	**–**	–	**59**	61
Income before income taxes (recovery)	**268**	250	**115**	95	**264**	220	**(296)**	(181)	**351**	384
Income taxes (recovery)[2]	**72**	67	**31**	25	**73**	58	**(132)**	(113)	**44**	37
Net income	**196**	183	**84**	70	**191**	162	**(164)**	(68)	**307**	347
Non-controlling interests	**–**	–	**–**	–	**3**	5	**15**	14	**18**	19
Net income attributable to the Bank's shareholders	**196**	183	**84**	70	**188**	157	**(179)**	(82)	**289**	328
Average assets	**91,632**	88,978	**11,053**	10,701	**98,689**	88,446	**41,910**	40,488	**243,284**	228,613

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
Year ended October 31[1]	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income[3]	**1,919**	1,825	**372**	323	**980**	996	**(315)**	(462)	**2,956**	2,682
Non-interest income[3]	**982**	1,002	**1,068**	1,096	**657**	706	**177**	260	**2,884**	3,064
Total revenues	**2,901**	2,827	**1,440**	1,419	**1,637**	1,702	**(138)**	(202)	**5,840**	5,746
Non-interest expenses	**1,640**	1,630	**998**	983	**796**	743	**441**	309	**3,875**	3,665
Contribution	**1,261**	1,197	**442**	436	**841**	959	**(579)**	(511)	**1,965**	2,081
Provisions for credit losses[4]	**475**	225	**5**	3	**4**	–	**–**	–	**484**	228
Income before income taxes (recovery)	**786**	972	**437**	433	**837**	959	**(579)**	(511)	**1,481**	1,853
Income taxes (recovery)[3]	**212**	261	**116**	110	**262**	261	**(365)**	(398)	**225**	234
Net income	**574**	711	**321**	323	**575**	698	**(214)**	(113)	**1,256**	1,619
Non-controlling interests	**–**	–	**–**	–	**18**	13	**57**	57	**75**	70
Net income attributable to the Bank's shareholders	**574**	711	**321**	323	**557**	685	**(271)**	(170)	**1,181**	1,549
Average assets	**91,067**	86,886	**11,006**	10,388	**91,928**	88,616	**41,912**	37,039	**235,913**	222,929

(1) For the quarter and year ended October 31, 2015, certain amounts have been revised from those previously reported. In addition, the restructuring charge recognized in the quarter and year ended October 31, 2015, which had been allocated among all the Bank's business segments, has been combined into the *Other* heading to reflect the presentation adopted in fiscal 2016.

(2) *Net interest income, Non-interest income* and *Income taxes (recovery)* of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $53 million ($64 million in 2015), *Non-interest income* was grossed up by $2 million (nil in 2015) and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(3) For the year ended October 31, 2016, *Net interest income* was grossed up by $231 million ($311 million in 2015), *Non-interest income* was grossed up by $4 million (nil in 2015), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(4) For the year ended October 31, 2016, the *Provisions for credit losses* item included a $250 million sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio, reported in the Personal and Commercial segment.

Personal and Commercial

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

Wealth Management

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

Financial Markets

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

Other

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

CAUTION REGARDING FORWARD-LOOKING STATMENTS

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Outlook for National Bank and the Major Economic Trends sections of the *2016 Annual Report*, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2017 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2017 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk (all of which are described in more detail in the Risk Management section beginning on page 48 of the *2016 Annual Report*), general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business, capital and liquidity; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the *U.S. Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank's information technology systems, including evolving cyber attack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the *2016 Annual Report*. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

INFORMATION FOR SHAREHOLDERS AND INVESTORS

Disclosure of Fourth Quarter 2016 Results

Conference Call

- A conference call for analysts and institutional investors will be held on Friday, December 2, 2016 at 11:00 a.m. EST.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-695-7806. The access code is 9888349#.
- A recording of the conference call can be heard until December 31, 2016 by dialing 1-800-408-3053 or 905-694-9451. The access code is 4441499#.

Webcast

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

Financial Documents

- The *Press Release* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Press Release*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.
- The *2016 Annual Report* (which includes the audited annual consolidated financial statements and management's discussion and analysis) will also be available on National Bank's website.
- The *Report to Shareholders* for the first quarter ended January 31, 2017 will be available on March 1, 2017 (subject to approval by the Bank's Board of Directors).

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