NATIONAL BANK

Press Release
Fourth Quarter
2020

National Bank reports its 2020 annual and fourth quarter results

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the fourth quarter of fiscal 2020 and on the audited annual consolidated financial statements for the year ended October 31, 2020 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, December 2, 2020 – For the fourth quarter of 2020, National Bank is reporting net income of $492 million compared to $604 million in the fourth quarter of 2019. Fourth-quarter diluted earnings per share stood at $1.36 compared to $1.67 in the fourth quarter of 2019. Net income excluding specified items[(1)] was $615 million for the fourth quarter of fiscal 2020 versus $612 million for the fourth quarter of 2019. Net income per share excluding specified items[(1)] was $1.69 for the fourth quarter of fiscal 2020, stable compared to the fourth quarter of 2019.

The Bank's net income for the year ended October 31, 2020 totalled $2,083 million compared to $2,322 million in fiscal 2019. Diluted earnings per share stood at $5.70 for the year ended October 31, 2020 compared to $6.34 in fiscal 2019. The 8% growth in income before provisions for credit losses and income taxes[(1)] was offset by a considerable increase in provisions for credit losses following the significant deterioration in macroeconomic conditions caused by COVID-19 and the expected impacts on our clients. Net income excluding specified items[(1)] for the year ended October 31, 2020 totalled $2,216 million compared to $2,328 million in fiscal 2019, and the diluted earnings per share excluding specified items[(1)] reached $6.06 for the year ended October 31, 2020, down 5% compared to fiscal 2019.

"Over the last year, the world went through extremely challenging times. From the onset of the pandemic, our focus was on the well-being of our employees, our clients and our communities. Our mission of putting People First guided us in all our decisions. I am very proud of the way we adapted, which would not have been possible without the strong engagement of our employees and the profound transformation of the Bank over the past few years," declared Mr. Louis Vachon, President and Chief Executive Officer of National Bank of Canada.

"In this exceptional context, the performance of the Bank was very satisfactory. For fiscal 2020, total revenues increased 7%. The Bank has significantly increased its provisions for credit losses and maintains a strong CET1 capital ratio. Our overall performance during the pandemic has confirmed that we have made the right strategic choices in terms of risk management, capital allocation and business mix. With four strong pillars, we are well-positioned to pursue growth across our businesses in 2021," added Mr. Vachon.

Highlights

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2020	2019	% Change	**2020**	2019	% Change
Net income	**492**	604	(19)	**2,083**	2,322	(10)
Diluted earnings per share *(dollars)*	**$ 1.36**	$ 1.67	(19)	**$ 5.70**	$ 6.34	(10)
Return on common shareholders' equity	**13.7 %**	18.2 %		**14.9 %**	18.0 %	
Dividend payout ratio	**49.6 %**	41.6 %		**49.6 %**	41.6 %	
Excluding specified items[(1)]						
Net income excluding specified items	**615**	612	–	**2,216**	2,328	(5)
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.69**	$ 1.69	–	**$ 6.06**	$ 6.36	(5)
Return on common shareholders' equity excluding specified items	**17.1 %**	18.4 %		**15.8 %**	18.0 %	
Dividend payout ratio excluding specified items	**46.6 %**	41.6 %		**46.6 %**	41.6 %	

	As at October 31, 2020	As at October 31, 2019
CET1 capital ratio under Basel III	**11.8 %**	11.7 %
Leverage ratio under Basel III	**4.4 %**	4.0 %

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization (WHO) declared that the COVID-19 outbreak constituted a pandemic, requiring important protective measures be taken to prevent overcrowding at intensive care units and to strengthen preventive hygiene. The global pandemic prompted many countries, including Canada, to implement lockdown and social distancing measures designed to slow the development of new contagion hotbeds. Those measures included the closing of borders in many countries and the cancellation of sporting and cultural events around the world, triggering a sudden and widespread drop in market capitalizations on all major stock exchanges around the world arising from the uncertainty and fears about the global economy.

In May 2020, after several weeks of lockdown, Canadian provinces and territories began loosening some of the restrictions imposed at the start of the COVID-19 pandemic. The plans to re-open the economy differed from one location to the next, depending on the local situation with the epidemic. Although the provinces and territories announced how the re-opening would work, authorities warned that the plans could be postponed or modified, depending how the situation developed. Almost all restrictions in Canada were lifted in July 2020, while other countries were delaying their reopening or were simply returning to lockdown. During the summer of 2020, there was a recovery in the stock markets and a decrease in the unemployment rate, but the later still remains high. Since the early fall of 2020, a second wave of COVID-19 has forced authorities in several countries, including Canada, to reintroduce some lockdown measures, effectively shutting down parts of the economy again.

In Canada, banking services are considered essential services and are therefore being maintained despite the lockdown and social distancing measures. Given the current economic and social conditions, the Bank is committed to supporting its employees, clients, and communities. The Bank has ensured the continuity of all its activities since the beginning of this unprecedented crisis. All of its experts have been mobilized to guide and support clients and answer their questions during this ongoing period of uncertainty.

The Bank continues to closely monitor the effects and potential consequences of the COVID-19 pandemic. It is not possible to predict the full impacts that this pandemic will have on the global economy, financial markets and the Bank, including its business, results of operations, financial position, regulatory capital and liquidity ratios, reputation, and ability to satisfy regulatory requirements, as well as the full impact on clients. The actual impacts will depend on future events that are highly uncertain and cannot be predicted with any certainty, including the extent, severity and duration of the COVID-19 pandemic, as well as the effectiveness of actions and measures taken by governments, monetary authorities and regulators over the long term.

The Bank's Financial Performance

In light of COVID-19 and its impact on global and local economies, Canadian banks are facing a difficult situation. This exceptional situation has led to significant changes in the overall market, such as business closures and temporary layoffs, low interest rates, declining and volatile stock markets, declining oil prices, and government measures implemented in response to COVID-19.

Impact on Results

The Bank's results for the year ended October 31, 2020 were marked by the repercussions of this unprecedented crisis. During the second quarter of 2020, major disruptions in the global environment in which the Bank operates affected its financial results, as there was a considerable increase in provisions for credit losses to reflect a significant deterioration in the macroeconomic conditions caused by COVID-19 and the expected impacts on clients. Despite an upturn in economic activity in the third quarter of 2020, several sectors are facing financial difficulties due to social distancing rules and fears among consumers, which are causing significant downward pressure on sales or even the closure of some businesses, while others have experienced sales growth. However, the net result for the fourth quarter of 2020 was relatively unchanged from the same quarter of 2019, as higher provisions for credit losses were offset by the strong performance of most business segments.

For additional information, refer to the “Financial Analysis” and “Business Segment Analysis” sections of this Press Release.

Relief Measures for Clients

In response to the economic and financial environment resulting from COVID-19 from the beginning of the pandemic, the Bank announced a series of support measures for the clients of its main business segments and some of these measures were extended. Some of the measures were introduced by the Canadian government and regulatory authorities, together with the Canadian banks and were implemented quickly to come to the assistance of individuals and businesses. These measures are designed to provide financial support to clients facing the economic consequences of COVID-19. The main relief measures are described on pages 18 and 19 in the 2020 Annual Report.

Key Measures Introduced by the Regulatory Authorities

Like all Canadian financial institutions, the Bank is facing regulatory changes that are being implemented at an increasing rate. As part of a coordinated effort by Government of Canada agencies, OSFI and other regulatory authorities governing the Bank's activities have taken a number of actions to reinforce the resilience of Canadian banks and improve the stability of the Canadian financial system and economy in response to challenges posed by COVID-19 and current market conditions. Regulatory authorities are also stepping up their oversight activities and focusing on the effects of the pandemic on the activities, capital strength, and liquidity of regulated entities. The main easing measures are described on pages 20 and 21 in the 2020 Annual Report.

Highlights

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2020	2019	% Change	**2020**	2019	% Change
Operating results						
Total revenues	**2,000**	1,915	4	**7,927**	7,432	7
Income before provisions for credit losses and income taxes(1)	**741**	820	(10)	**3,382**	3,131	8
Net income	**492**	604	(19)	**2,083**	2,322	(10)
Net income attributable to the Bank's shareholders and holders of other equity instruments	**490**	590	(17)	**2,041**	2,256	(10)
Return on common shareholders' equity	**13.7 %**	18.2 %		**14.9 %**	18.0 %	
Earnings per share						
Basic	**$ 1.37**	$ 1.68	(18)	**$ 5.73**	$ 6.39	(10)
Diluted	**1.36**	1.67	(19)	**5.70**	6.34	(10)
Operating results on a taxable equivalent basis and excluding specified items(1)						
Total revenues on a taxable equivalent basis and excluding specified items	**2,073**	2,008	3	**8,216**	7,666	7
Income before provisions for credit losses and income taxes on a taxable equivalent basis and excluding specified items	**933**	924	1	**3,803**	3,488	9
Net income excluding specified items	**615**	612	–	**2,216**	2,328	(5)
Return on common shareholders' equity excluding specified items	**17.1 %**	18.4 %		**15.8 %**	18.0 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	**55.0 %**	54.0 %		**53.7 %**	54.5 %	
Earnings per share excluding specified items(1)						
Basic	**$ 1.70**	$ 1.70	–	**$ 6.10**	$ 6.40	(5)
Diluted	**1.69**	1.69	–	**6.06**	6.36	(5)
Common share information						
Dividends declared	**$ 0.71**	$ 0.68		**$ 2.84**	$ 2.66	
Book value	**39.97**	36.89		**39.97**	36.89	
Share price						
High	**72.85**	68.02		**74.79**	68.02	
Low	**62.99**	60.38		**38.73**	54.97	
Close	**63.94**	68.02		**63.94**	68.02	
Number of common shares *(thousands)*	**335,998**	334,172		**335,998**	334,172	
Market capitalization	**21,484**	22,730		**21,484**	22,730	

(millions of Canadian dollars)	As at October 31, 2020	As at October 31, 2019	% Change
Balance sheet and off-balance-sheet			
Total assets	**331,625**	281,458	18
Loans and acceptances, net of allowances	**164,740**	153,251	7
Deposits	**215,878**	189,566	14
Equity attributable to common shareholders	**13,430**	12,328	9
Assets under administration and under management	**596,656**	565,396	6
Regulatory ratios under Basel III(2)			
Capital ratios			
Common Equity Tier 1 (CET1)	**11.8 %**	11.7 %	
Tier 1	**14.9 %**	15.0 %	
Total	**16.0 %**	16.1 %	
Leverage ratio	**4.4 %**	4.0 %	
Liquidity coverage ratio (LCR)	**161 %**	146 %	
Regulatory ratios under Basel III (adjusted)(3)			
Capital ratios			
CET1	**11.5 %**		
Tier 1	**14.6 %**		
Total	**16.0 %**		
Leverage ratio	**4.3 %**		
Other information			
Number of employees – Worldwide	**26,517**	25,487	4
Number of branches in Canada	**403**	422	(5)
Number of banking machines in Canada	**940**	939	–

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

(2) The ratios as at October 31, 2020 include the transitional measures granted by OSFI. For additional information, see the section entitled "COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities" on pages 20 and 21 of the 2020 Annual Report.

(3) The adjusted ratios as at October 31, 2020 do not include the transitional measure applicable to expected credit loss provisioning. For additional information, see the section entitled "COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities" on pages 20 and 21 of the 2020 Annual Report.

Financial Reporting Method

As stated in Note 1 to its audited annual consolidated financial statements for the year ended October 31, 2020 (the consolidated financial statements), the Bank adopted IFRS 16 on November 1, 2019. As permitted by the IFRS 16 transitional provisions, the Bank elected to apply IFRS 16 using the modified retrospective basis, with no restatement of comparative periods. Note 1 to the consolidated financial statements presents the impacts of IFRS 16 adoption on the Bank's Consolidated Balance Sheet as at November 1, 2019 and additional information about the adoption of IFRS 16. Since interim consolidated financial statements do not include all of the annual financial statement disclosures required under IFRS, they should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for the year ended October 31, 2020.

Non-GAAP Financial Measures

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

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

Fiscal 2020 is being marked by the effects of the COVID-19 pandemic on macroeconomic factors, which resulted in a significant increase in the Bank's provisions for credit losses. Given the materiality of the provisions for credit losses recorded in accordance with IFRS, the Bank believes it is useful to show income before provisions for credit losses and income taxes, income before provisions for credit losses and income taxes on a taxable equivalent basis as well as income before provisions for credit losses and income taxes on a taxable equivalent basis and excluding specified items (as presented in the Consolidated Results table on page 6 and in the Results by Segment tables on pages 9 to 13 of this Press Release), thereby providing readers with additional information to help them better understand the main components of the financial results of the Bank and its business segments.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2020	2019	% Change	2020	2019	% Change
Net income excluding specified items[1]						
Personal and Commercial	**258**	265	(3)	**807**	1,011	(20)
Wealth Management	**135**	129	5	**539**	494	9
Financial Markets	**209**	203	3	**740**	708	5
U.S. Specialty Finance and International	**106**	78	36	**352**	279	26
Other	**(93)**	(63)		**(222)**	(164)	
Net income excluding specified items	**615**	612	–	**2,216**	2,328	(5)
Foreign currency translation loss on disposal of subsidiaries[2]	**(36)**	–		**(36)**	–	
Impairment losses on premises and equipment and on intangible assets[3]	**(52)**	–		**(52)**	(42)	
Severance pay[4]	**(35)**	–		**(35)**	(7)	
Charge related to Maple[5]	**–**	(8)		**(10)**	(8)	
Gain on disposal of Fiera Capital shares[6]	**–**	–		**–**	68	
Gain on disposal of premises and equipment[7]	**–**	–		**–**	43	
Remeasurement at fair value of an investment[8]	**–**	–		**–**	(27)	
Provisions for onerous contracts[9]	**–**	–		**–**	(33)	
Net income	**492**	604	(19)	**2,083**	2,322	(10)
Diluted earnings per share excluding specified items	**$ 1.69**	$ 1.69	–	**$ 6.06**	$ 6.36	(5)
Foreign currency translation loss on disposal of subsidiaries[2]	**(0.08)**	–		**(0.08)**	–	
Impairment losses on premises and equipment and on intangible assets[3]	**(0.15)**	–		**(0.15)**	(0.12)	
Severance pay[4]	**(0.10)**	–		**(0.10)**	(0.02)	
Charge related to Maple[5]	**–**	(0.02)		**(0.03)**	(0.02)	
Gain on disposal of Fiera Capital shares[6]	**–**	–		**–**	0.20	
Gain on disposal of premises and equipment[7]	**–**	–		**–**	0.12	
Remeasurement at fair value of an investment[8]	**–**	–		**–**	(0.08)	
Provisions for onerous contracts[9]	**–**	–		**–**	(0.10)	
Diluted earnings per share	**$ 1.36**	$ 1.67	(19)	**$ 5.70**	$ 6.34	(10)
Return on common shareholders' equity						
Including specified items	**13.7 %**	18.2 %		**14.9 %**	18.0 %	
Excluding specified items	**17.1 %**	18.4 %		**15.8 %**	18.0 %	

(1) For the quarter and year ended October 31, 2019, certain amounts have been reclassified.
(2) During the quarter ended October 31, 2020, the Bank, through its subsidiary Credigy Ltd. (Credigy), recorded a foreign currency translation loss of $24 million ($36 million taking into account income taxes and $26 million taking into account income taxes and non-controlling interests) in investments in foreign operations following the disposal of two subsidiaries in Brazil.
(3) During the quarter ended October 31, 2020, the Bank recorded $71 million ($52 million net of income taxes) in impairment losses on premises and equipment and on intangible assets related to computer equipment and technology developments ($57 million, $42 million net of income taxes during the third quarter of 2019).
(4) During the quarter ended October 31, 2020, following an optimization of certain organizational structures, the Bank recorded $48 million ($35 million net of income taxes) in severance pay ($10 million, $7 million net of income taxes during the third quarter of 2019).
(5) During the year ended October 31, 2020, the Bank recorded a charge of $13 million ($10 million net of income taxes) related to the company Maple Financial Group Inc. (Maple) following the event in December 2019, as described in the Contingent Liabilities section on page 16 of this Press Release (2019: $11 million, $8 million net of income taxes).
(6) During the year ended October 31, 2019, following the Bank's disposal of a portion of its investment in Fiera Capital Corporation (Fiera Capital) the Bank recorded a gain on disposal of $79 million ($68 million net of income taxes), including a gain of $31 million ($27 million net of income taxes) upon remeasurement at fair value of the retained interest.
(7) During the year ended October 31, 2019, the Bank had completed the sale of its head office land and building located at 600 De La Gauchetière Street West, Montreal, Quebec, Canada, for gross proceeds of $187 million, and a gain on disposal of premises and equipment of $50 million ($43 million net of income taxes) was recorded.
(8) During the year ended October 31, 2019, the Bank remeasured at fair value its investment in NSIA Participations (NSIA) and recorded a loss of $33 million ($27 million net of income taxes).
(9) During the year ended October 31, 2019, the Bank had reviewed all of its corporate building leases and recorded provisions for onerous contracts of $45 million ($33 million net of income taxes).

Financial Analysis

This press release should be read in conjunction with the *2020 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

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2020	2019	% change	**2020**	2019	% change
Operating results						
Net interest income	**1,124**	936	20	**4,255**	3,596	18
Non-interest income	**876**	979	(11)	**3,672**	3,836	(4)
Total revenues	**2,000**	1,915	4	**7,927**	7,432	7
Non-interest expenses	**1,259**	1,095	15	**4,545**	4,301	6
Income before provisions for credit losses and income taxes[1]	**741**	820	(10)	**3,382**	3,131	8
Provisions for credit losses	**110**	89	24	**846**	347	144
Income before income taxes	**631**	731	(14)	**2,536**	2,784	(9)
Income taxes	**139**	127	9	**453**	462	(2)
Net income	**492**	604	(19)	**2,083**	2,322	(10)
Non-controlling interests	**2**	14	(86)	**42**	66	(36)
Net income attributable to the Bank's shareholders and holders of other equity instruments	**490**	590	(17)	**2,041**	2,256	(10)
Diluted earnings per share *(dollars)*	**1.36**	1.67	(19)	**5.70**	6.34	(10)
Taxable equivalent basis[1]						
Net interest income	**46**	57		**208**	195	
Non-interest income	**3**	36		**57**	135	
Income taxes	**49**	93		**265**	330	
Impact of taxable equivalent basis on net income	**–**	–		**–**	–	
Specified items[1]						
Foreign currency translation loss on disposal of subsidiaries	**(24)**	–		**(24)**	–	
Impairment losses on premises and equipment and on intangible assets	**(71)**	–		**(71)**	(57)	
Severance pay	**(48)**	–		**(48)**	(10)	
Charge related to Maple	**–**	(11)		**(13)**	(11)	
Gain on disposal of Fiera Capital shares	**–**	–		**–**	79	
Gain on disposal of premises and equipment	**–**	–		**–**	50	
Provisions for onerous contracts	**–**	–		**–**	(45)	
Remeasurement at fair value of an investment	**–**	–		**–**	(33)	
Specified items before income taxes	**(143)**	(11)		**(156)**	(27)	
Income taxes on specified items	**(20)**	(3)		**(23)**	(21)	
Specified items after income taxes	**(123)**	(8)		**(133)**	(6)	
Non-controlling interests on specified items	**(10)**	–		**(10)**	–	
Specified items after income taxes and non-controlling interests	**(113)**	(8)		**(123)**	(6)	
Operating results on a taxable equivalent basis and excluding specified items[1]						
Net interest income on a taxable equivalent basis	**1,170**	993	18	**4,463**	3,791	18
Non-interest income on a taxable equivalent basis and excluding specified items	**903**	1,015	(11)	**3,753**	3,875	(3)
Total revenues on a taxable equivalent basis and excluding specified items	**2,073**	2,008	3	**8,216**	7,666	7
Non-interest expenses excluding specified items	**1,140**	1,084	5	**4,413**	4,178	6
Income before provisions for credit losses and income taxes on a taxable equivalent basis and excluding specified items	**933**	924	1	**3,803**	3,488	9
Provisions for credit losses	**110**	89	24	**846**	347	144
Income before income taxes on a taxable equivalent basis and excluding specified items	**823**	835	(1)	**2,957**	3,141	(6)
Income taxes on a taxable equivalent basis and excluding specified items	**208**	223	(7)	**741**	813	(9)
Net income excluding specified items	**615**	612	–	**2,216**	2,328	(5)
Non-controlling interests excluding specified items	**12**	14	(14)	**52**	66	(21)
Net income attributable to the Bank's shareholders and holders of other equity instruments excluding specified items	**603**	598	1	**2,164**	2,262	(4)
Diluted earnings per share excluding specified items *(dollars)*	**1.69**	1.69	–	**6.06**	6.36	(5)

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Total Revenues

For the fourth quarter of 2020, the Bank's total revenues amounted to $2,000 million, up $85 million or 4% from the same quarter of 2019. Total revenues for the Personal and Commercial segment rose 1% due to growth in loan volumes and deposit volumes, which decreased due to a decline in the net interest margin as a result of lower interest rates, as well as higher insurance revenues and revenues from banker's acceptances. These increases were offset by a decline in credit card revenues and revenues from deposit and payment service charges, as a result of the impacts of COVID-19 on certain sectors of the economy and on consumer spending by clients, as well as lower revenues from foreign exchange activities. Revenues from the Wealth Management segment grew 4%, resulting mainly from the increase in fee-based revenues related to average growth in assets under administration and under management and increase in transactions volume. Total revenues in a taxable equivalent basis[1] recorded in the Financial Markets segment in the fourth quarter of 2020 were stable year over year. The increase in corporate and investment banking revenues was offset by the decline in global markets revenues, including revenues from equity securities. The USSF&I segment's total revenues rose 21%, owing to revenue growth at the ABA Bank subsidiary and the Credigy subsidiary. The growth in total revenues also stemmed from gains on non-trading securities generated by higher treasury revenues in the fourth quarter of fiscal 2020. Lastly, total revenues for the fourth quarter of fiscal 2020 included a $24 million foreign currency translation loss on disposal of subsidiaries. Total revenues on a taxable equivalent basis and excluding specified items[1] totalled $2,073 million in the fourth quarter of 2020, up 3% from $2,008 million in the fourth quarter of 2019.

For the fiscal year ended October 31, 2020, total revenues amounted to $7,927 million, up $495 million or 7% from $7,432 million in the same period of 2019. As for Personal and Commercial Banking's total revenues, they rose $12 million, mainly due to higher net interest income driven by growth in loan and deposit volumes and by higher bankers' acceptance revenues. These increases were offset by lower credit card revenues and lower revenues from deposit and payment service charges, with these decreases being essentially related to the pandemic, as well as by lower foreign exchange activities. Wealth Management segment's 6% increase in total revenues was due to higher fee-based revenues and higher transaction-based and other revenues. In the Financial Markets segment, total revenues on a taxable equivalent basis[1] rose $303 million year over, year due to growth from all the segment's business units. Lastly, in the USSF&I segment, total revenues were up 15%, as business growth at ABA Bank drove higher loan and deposit volumes, whereas Credigy's revenues rose slightly year over year. Total revenues for the fiscal year ended October 31, 2020 include a $24 million foreign currency translation loss on disposal of subsidiaries while total revenues for fiscal 2019 included a $79 million gain on disposal of Fiera Capital shares, a $50 million gain on disposal of premises and equipment, and a $33 million loss following the remeasurement at fair value of the Bank's investment in NSIA. Total revenues on a taxable equivalent basis and excluding specified items[1] amounted to $8,216 million for the fiscal year ended October 31, 2020, up 7% from $7,666 million in the same period of 2019.

Non-Interest Expenses

For the fourth quarter of 2020, non-interest expenses stood at $1,259 million, up 15% compared to the fourth quarter of 2019. Non-interest expenses for the fourth quarter of fiscal 2020 included $71 million in impairment losses on premises and equipment and on intangible assets and $48 million in severance pay, which partly explains the increase from the same quarter of fiscal 2019. The increase in non-interest expenses also stemmed from higher technology investments related to the Bank's transformation plan and for business development activities, by higher compensation and employee benefits, and by expenses related to the measures deployed by the Bank to protect and guarantee the security of employees and clients in the context of the pandemic. Fourth-quarter non-interest expenses excluding specified items[1] stood at $1,140 million, up 5% from $1,084 million in the fourth quarter of 2019.

For the fiscal year ended October 31, 2020, non-interest expenses totalled $4,545 million, up 6% year over year due essentially to increased compensation and employee benefits stemming from the annual increase in salaries and a greater number of employees, the increase in variable compensation associated with revenue growth in the business segments, and higher severance pay in 2020. The increase in non-interest expenses was also due to approximately $50 million in expenses related to measures deployed by the Bank in the context of the pandemic, as well as the increase in technology expenses as a result of higher impairment losses on premises and equipment and on intangible assets in 2020 and by greater technology investments related to the Bank's transformation plan and for business development. Furthermore, these increases were offset by a decrease in certain variable expenses, notably travel and business development expenses, given the social distancing measures and lockdown imposed by governments. Non-interest expenses excluding specified items[1] stood at $4,413 million for the year ended October 31, 2020, up 6% from $4,178 million in fiscal 2019.

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Provisions for Credit Losses

For the fourth quarter of fiscal 2020, the Bank recorded $110 million in credit losses compared to $89 million for the fourth quarter of fiscal 2019, an increase essentially due to provisions for credit losses on loans extended by Commercial Banking and the Financial Markets segment. Furthermore, the provisions for credit losses on credit card receivables, on Personal Banking loans, as well as on loans from the subsidiary Credigy are down compared to the corresponding quarter of 2019. The change in provisions for credit losses for the quarter was attributable to both non-impaired and impaired loans.

For the fiscal year ended October 31, 2020, the Bank recorded $846 million in provisions for credit losses compared to $347 million in fiscal 2019. Most of the $499 million increase came from provisions for credit losses on non-impaired loans mainly due to a significant deterioration in the macroeconomic outlook (in particular GDP growth, the unemployment rate, and oil prices) caused by COVID-19 in fiscal 2020 and the expected impacts of the pandemic on the Bank's clients. Furthermore, this increase is due to the Commercial Banking and Financial Markets segments' credit loss provisions on impaired loans. These increases were offset by the decrease in provisions for credit losses on impaired loans recorded by the Personal Banking segment (including credit card receivables) and on impaired loans recorded by the Credigy subsidiary as a result of repayments and maturities in certain loan portfolios.

Income Taxes

For the fourth quarter of 2020, income taxes stood at $139 million compared to $127 million in the same quarter of 2019. The 2020 fourth-quarter effective income tax rate was 22% compared to 17% in fourth quarter of 2019. This change in effective tax rate stems mainly from the tax impact from the sale of subsidiaries in Brazil during the fourth quarter of 2020.

For the fiscal year ended October 31, 2020, the effective income tax rate stood at 18% compared to 17% in the same period of 2019. This change in the effective tax rate was due to the same reason as indicated for the quarter, as well as to the ABA Bank subsidiary’s lower tax rate in fiscal 2020 due to tax incentives granted by the government of Cambodia, and the realization of capital gains taxed at a lower rate in fiscal 2019.

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2020	2019[1]	% Change	**2020**	2019[1]	% Change
Operating results						
Net interest income	**627**	613	2	**2,445**	2,384	3
Non-interest income	**256**	262	(2)	**1,018**	1,067	(5)
Total revenues	**883**	875	1	**3,463**	3,451	–
Non-interest expenses	**465**	455	2	**1,849**	1,837	1
Income before provisions for credit losses and income taxes[2]	**418**	420	–	**1,614**	1,614	–
Provisions for credit losses	**67**	59	14	**517**	237	118
Income before income taxes	**351**	361	(3)	**1,097**	1,377	(20)
Income taxes	**93**	96	(3)	**290**	366	(21)
Net income	**258**	265	(3)	**807**	1,011	(20)
Net interest margin[3]	**2.19 %**	2.23 %		**2.19 %**	2.23 %	
Average interest-bearing assets	**113,749**	109,179	4	**111,488**	106,995	4
Average assets	**119,504**	114,975	4	**117,338**	112,798	4
Average loans and acceptances	**118,994**	114,481	4	**116,838**	112,290	4
Net impaired loans[4]	**412**	409	1	**412**	409	1
Net impaired loans[4] as a % of average loans and acceptances	**0.3 %**	0.4 %		**0.4 %**	0.4 %	
Average deposits	**72,252**	64,488	12	**67,390**	62,301	8
Efficiency ratio	**52.7 %**	52.0 %		**53.4 %**	53.2 %	

(1) For the quarter and year ended October 31, 2019, certain amounts have been reclassified.
(2) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.
(3) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.
(4) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Personal and Commercial segment, net income totalled $258 million in the fourth quarter of fiscal 2020 compared to $265 million in the fourth quarter of fiscal 2019, with the decrease attributable to the $10 million increase in non-interest expenses and the $8 million increase in provisions for credit losses, which more than offset the increase in the segment's total revenues. Net interest income in the fourth quarter of fiscal 2020 grew 2% year over year, as higher personal and commercial loan and deposit volumes more than offset the impact of lower interest rates on the net interest margin, which was 2.19% compared to 2.23% in the fourth quarter of fiscal 2019. Non-interest income was down $6 million or 2% year over year.

Personal Banking's fourth-quarter total revenues increased $2 million year over year. The increase in net interest income, essentially related to growth in loan volumes and deposit volumes, more than offset the impact of lower interest rates. This increase was offset by a decline in credit card revenues and revenues from deposit and payment service charges, as a result of the impacts of COVID-19 on certain sectors of the economy and on the consumption habits of clients. Commercial Banking's total revenues grew $6 million due to growth in loan and deposit volumes and revenues from bankers' acceptances, tempered by the decline in revenues from foreign exchange activities.

For the fourth quarter of 2020, the Personal and Commercial segment's non-interest expenses stood at $465 million, up 2% from the fourth quarter of 2019. An increase in compensation and employee benefits and operating support charges were offset by a decrease in certain variable expenses, notably business development expenses, given the social distancing and lockdown measures imposed by governments due to the pandemic. At 52.7%, the fourth-quarter efficiency ratio increased by 0.7 percentage points when compared to the fourth quarter of 2019. The segment recorded $67 million in provisions for credit losses, an $8 million year-over-year increase related mainly to higher provisions on Commercial Banking loans, notably provisions on impaired loans, offset by a decrease in provisions on credit losses on Personal Banking loans and on credit card receivables.

For the fiscal year ended October 31, 2020, net income generated by the Personal and Commercial segment totalled $807 million, down from $1,011 million in fiscal 2019. This decrease stems essentially from the impacts of the COVID-19 pandemic, in particular the considerable increase in provisions for credit losses. The segment's total revenues increased by $12 million. The decline in the Personal Banking's total revenues stemmed mainly from the decrease in credit card revenues and revenues from deposit and payment service charges, since the number of transactions fell due to the impacts of the pandemic, including temporary closings of businesses and non-essential services and the lockdowns imposed by governments. These declines were offset by growth in loan volumes and deposit volumes. As for Commercial Banking, its total revenues were up owing to growth in loan and deposit volumes as well as to an increase in bankers' acceptance revenues.

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

For the fiscal year ended October 31, 2020, non-interest expenses totalled $1,849 million, up $12 million from fiscal 2019 mainly due to the increase in compensation and employee benefits, related to the annual increase in salaries, and higher charges related to the segment's strategic initiatives. These increases were partly offset by a decrease in certain variable expenses, notably business development expenses, given the social distancing and lockdown measures imposed by governments. So the segment's income before provisions for credit losses and income taxes(1) was stable year over year. At 53.4% for the year ended October 31, 2020, the efficiency ratio increased by 0.2 percentage points versus fiscal 2019. For the fiscal year ended October 31, 2020, the Personal and Commercial segment's provisions for credit losses totalled $517 million, up $280 million year over year. This increase is mainly due to provisions for credit losses on non-impaired Personal Banking and Commercial Banking loans and on non-impaired credit card receivables, to reflect a significant deterioration in the macroeconomic outlook caused by COVID-19 and the expected impacts of the pandemic on the segment's clients. Provisions for credit losses on Commercial Banking's impaired loans also rose sharply when compared to fiscal 2019.

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Wealth Management

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2020	2019(1)	% Change	2020	2019(1)	% Change
Operating results						
Net interest income	**107**	111	(4)	**442**	455	(3)
Fee-based revenues	**281**	263	7	**1,087**	1,013	7
Transaction-based and other revenues	**78**	72	8	**326**	275	19
Total revenues	**466**	446	4	**1,855**	1,743	6
Non-interest expenses	**281**	271	4	**1,115**	1,073	4
Income before provisions for credit losses and income taxes(2)	**185**	175	6	**740**	670	10
Provisions for credit losses	**1**	–		**7**	–	
Income before income taxes	**184**	175	5	**733**	670	9
Income taxes	**49**	46	7	**194**	176	10
Net income	**135**	129	5	**539**	494	9
Average assets	**6,024**	6,082	(1)	**5,917**	6,219	(5)
Average loans and acceptances	**4,890**	4,824	1	**4,776**	4,855	(2)
Net impaired loans(3)	**2**	3	(33)	**2**	3	(33)
Average deposits	**35,847**	31,759	13	**34,507**	32,321	7
Assets under administration and under management	**596,656**	565,396	6	**596,656**	565,396	6
Efficiency ratio	**60.3 %**	60.8 %		**60.1 %**	61.6 %	

(1) For the quarter and year ended October 31, 2019, certain amounts have been reclassified.
(2) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.
(3) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Wealth Management segment, net income totalled $135 million in the fourth quarter of 2020, a 5% increase from $129 million in the same quarter of 2019. The segment's fourth-quarter total revenues amounted to $466 million, up $20 million or 4% from $446 million in the fourth quarter of 2019. This increase is due to the 7% increase in fee-based revenues related to growth in average assets under management and under administration as a result of net inflows into various solutions and stronger stock market performance in the fourth quarter of 2020. Transaction-based and other revenues grew 8% owing to an increase in trading volume resulting from stock market volatility as a result of the COVID-19 pandemic. The segment's net interest income was down 4% due to lower interest rates, partly offset by the increase in deposit volumes.

For the fourth quarter of 2020, non-interest expenses stood at $281 million, up 4% from the fourth quarter of 2019. The increase is mainly from higher compensation and employee benefits, notably the variable compensation associated with growth in the segment's revenues. At 60.3%, the fourth-quarter efficiency ratio improved by 0.5 percentage points when compared to the fourth quarter of 2019. For the fourth quarter of 2020, the segment recorded $1 million in provisions for credit losses compared to a negligible amount in the same quarter of 2019.

For the year ended October 31, 2020, the Wealth Management segment's net income totalled $539 million, up 9% from $494 million in fiscal 2019. The segment's total revenues for the year ended October 31, 2020 were $1,855 million compared to $1,743 million the previous year, an increase of 6%. The increase in fee-based revenues was due to growth in average assets under administration and under management as a result of net inflows into various solutions and stronger stock market performance in fiscal 2020. Transaction-based and other revenues grew 19% year over year owing to an increase in trading volume resulting from stock market volatility during fiscal 2020. Net interest income declined due to a narrowing of the margin on deposits, as a result of lower interest rates, offset by the increase in deposit volumes. Non-interest expense totalled $1,115 million for the fiscal year ended October 31, 2020 compared to $1,073 million for fiscal 2019, an increase due to higher compensation and employee benefits, notably variable compensation tied to the increase in revenues, and operations support charges related to the segment's initiatives. As for the efficiency ratio, it improved to 60.1% for fiscal 2020 compared to 61.6% for fiscal 2019. Provisions for credit losses were up $7 million from fiscal 2019, stemming from both provisions for credit losses on non-impaired loans, related to the significant deterioration in the macroeconomic outlook caused by COVID-19, and higher provisions for credit losses on impaired loans.

Financial Markets

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2020	2019[2]	% Change	2020	2019[2]	% Change
Operating results						
Global markets						
Equities	148	197	(25)	706	621	14
Fixed-income	114	78	46	430	285	51
Commodities and foreign exchange	19	24	(21)	132	126	5
	281	299	(6)	1,268	1,032	23
Corporate and investment banking	214	196	9	786	719	9
Total revenues on a taxable equivalent basis	495	495	–	2,054	1,751	17
Non-interest expenses	184	209	(12)	809	756	7
Income before provisions for credit losses and income taxes on a taxable equivalent basis[1]	311	286	9	1,245	995	25
Provisions for credit losses	27	10		239	30	
Income before income taxes on a taxable equivalent basis	284	276	3	1,006	965	4
Income taxes on a taxable equivalent basis	75	73	3	266	257	4
Net income	209	203	3	740	708	5
Average assets	132,067	119,244	11	123,943	112,493	10
Average loans and acceptances (Corporate Banking only)	18,589	16,950	10	18,782	16,575	13
Net impaired loans[3]	21	23	(9)	21	23	(9)
Average deposits	35,098	35,311	(1)	35,433	30,497	16
Efficiency ratio on a taxable equivalent basis[1]	37.2 %	42.2 %		39.4 %	43.2 %	

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.
(2) For the quarter and year ended October 31, 2019, certain amounts have been reclassified.
(3) Net impaired loans are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the Financial Markets segment, net income totalled $209 million in the fourth quarter of 2020, up 3% from $203 million in the fourth quarter of 2019. Total revenues on a taxable equivalent basis[1] amounted to $495 million, stable compared to the fourth quarter of 2019. Fourth-quarter global markets revenues decreased by $18 million, due to the decrease in revenues from equities and from commodities and foreign exchange activities, partly offset by the increase in revenues from fixed-income securities. As for corporate and investment banking revenues, they increased $18 million from the fourth quarter of 2019 due to higher revenues generated by merger and acquisition activities as well as revenues from banking services, which were partly offset by lower revenues from capital market activities.

Fourth-quarter non-interest expenses stood at $184 million, down 12% from the fourth quarter of 2019. This decrease was essentially due to the decline in variable compensation, following a cumulative adjustment made in the fourth quarter of 2020, partly offset by higher operations support charges. At 37.2%, the fourth-quarter efficiency ratio on a taxable equivalent basis[1] improved by 5.0 percentage points compared to 42.2% in the fourth quarter of 2019. The segment's fourth-quarter provisions for credit losses stood at $27 million compared to $10 million in the same quarter of 2019. The increase stemmed from provisions for credit losses on non-impaired loans.

For the year ended October 31, 2020, the segment’s net income totalled $740 million, up 5% from fiscal 2019. Growth across all of the segment's revenue categories was tempered by higher provisions for credit losses recorded in fiscal 2020 to reflect a significant deterioration in the macroeconomic outlook caused by COVID-19 and the expected impacts on this segment's clients. Income before provisions for credit losses and income taxes on a taxable equivalent basis[1] totalled $1,245 million, up $250 million or 25% from fiscal 2019, as the segment was able to benefit from greater business activity in all its business units. Total revenues on a taxable equivalent basis[1] amounted to $2,054 million, up $303 million from $1,751 million for the year ended October 31, 2019. Fiscal 2020 revenues from the global markets category increased 23% year over year, with the growth coming from all types of revenues. As for corporate and investment banking revenues, they were up 9% year over year mainly due to revenue growth generated by capital markets activities, in particular issuances of government bonds, and merger and acquisition activities.

Non-interest expenses for the year ended October 31, 2020 rose 7% year over year, due to an increase in compensation and employee benefits, higher transaction costs associated with business growth and expenses incurred for technology investments. At 39.4%, the efficiency ratio on a taxable equivalent basis[1] for the year ended October 31, 2020 improved from 43.2% in fiscal 2019. The segment recorded $239 million in provisions for credit losses during the year ended October 31, 2020 compared to $30 million during fiscal 2019, an increase that stems mainly from provisions for credit losses on non-impaired loans recorded during fiscal 2020 in response to the economic environment created by COVID-19. Furthermore, the provisions for credit losses on impaired loans were up $47 million compared to fiscal 2019.

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

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

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2020	2019	% Change	2020	2019	% Change
Total revenues						
Credigy	122	95	28	406	402	1
ABA Bank	111	90	23	410	303	35
International	(1)	7		4	10	
	232	192	21	820	715	15
Non-interest expenses						
Credigy	38	38	–	144	152	(5)
ABA Bank	41	36	14	171	131	31
International	1	–		4	2	
	80	74	8	319	285	12
Income before provisions for credit losses and income taxes[1]	152	118	29	501	430	17
Provisions for credit losses						
Credigy	12	18	(33)	59	68	(13)
ABA Bank	5	2	150	21	12	75
	17	20	(15)	80	80	–
Income before income taxes	135	98	38	421	350	20
Income taxes	29	20	45	69	71	(3)
Net income	106	78	36	352	279	26
Non-controlling interests	11	7	57	34	40	(15)
Net income attributable to the Bank's shareholders and holders of other equity instruments	95	71	34	318	239	33
Average assets	15,272	11,909	28	14,336	10,985	31
Average loans and receivables	11,827	9,333	27	11,340	8,907	27
Net impaired loans – Stage 3[2]	30	15	100	30	15	100
Purchased or originated credit-impaired (POCI) loans	855	1,166	(27)	855	1,166	(27)
Average deposits	5,791	4,227	37	5,006	3,474	44
Efficiency ratio	34.5 %	38.5 %		38.9 %	39.9 %	

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.
(2) Net impaired loans – Stage 3 exclude POCI loans and are presented net of allowances for credit losses on Stage 3 loan amounts drawn.

In the USSF&I segment, net income totalled $106 million in the fourth quarter of 2020, a 36% increase from $78 million in fiscal 2019. For the year ended October 31, 2020, the segment's net income totalled $352 million, a 26% increase from $279 million in fiscal 2019. The revenue growth came mainly from an increase in the revenues of the ABA Bank subsidiary, a $107 million increase owing to sustained growth in loan and deposit volumes, whereas Credigy's revenues were up $4 million. Total revenues related to international investments was lower in fiscal 2020 than in fiscal 2019.

Credigy

The Credigy subsidiary's net income, presented in the USSF&I segment, totalled $57 million for the fourth quarter of 2020, up 84% year over year. Credigy's fourth-quarter total revenues amounted to $122 million, up from $95 million in the fourth quarter of 2019 due to growth in loan volumes. Credigy's fourth-quarter non-interest expenses stood at $38 million, stable compared to the fourth quarter of 2019. The 2020 fourth-quarter provisions for credit losses were $12 million compared to $18 million in the same quarter of 2019, a year-over-year decrease due to lower provisions for credit losses on impaired loans.

The Credigy subsidiary's net income, presented in the USSF&I segment, totalled $160 million for the fiscal year ended October 31, 2020, up 11% year over year. The subsidiary's total revenues were $406 million, up slightly from $402 million for fiscal 2019. The increase in net interest income, which was due to growth in the loan portfolio, was tempered by the decrease in non-interest income resulting from changes in the loan portfolio mix and the impact of the COVID-19 pandemic on the fair value of some of the subsidiary's loan portfolios. The non-interest expenses for the year ended October 31, 2020 were down $8 million mainly due to a decrease in collection costs. Credigy recorded $59 million in provisions for credit losses for the year ended October 31, 2020, down $9 million from fiscal 2019. The increase in provisions for credit losses on non-impaired loans that resulted from a significant deterioration in the macroeconomic outlook caused by COVID-19 and the expected impacts of the pandemic on the subsidiary's loan portfolios was more than offset by a decrease in provisions for credit losses on impaired loans arising from repayments and maturities in certain loan portfolios and revaluations of certain POCI loan portfolios.

ABA Bank

For the fourth quarter of 2020, the ABA Bank subsidiary's net income totalled $51 million, rising 24% from the fourth quarter of 2019. A 23% increase in ABA Bank's fourth-quarter revenues was driven by sustained growth in loan and deposit volumes, offset by lower interest rates. The subsidiary's fourth-quarter non-interest expenses rose 14% year over year, mainly due to its growing banking network. It recorded $5 million in provisions for credit losses for the fourth quarter of 2020 compared to $2 million in the same quarter of 2019.

For the year ended October 31, 2020, ABA Bank's net income totalled $192 million, up 50% from fiscal 2019. Year over year, ABA Bank's total revenues rose 35% and its year-over-year non-interest expenses rose 31%, with both increases being attributable to growth in its business activities. However, the increase in total revenues, derived from sustained growth in loan volumes and in deposit volumes, was partly offset by lower interest rates. The subsidiary's provisions for credit losses totalled $21 million for the fiscal year ended October 31, 2020, up $9 million from fiscal 2019, and stemmed from provisions for credit losses on non-impaired loans recorded in fiscal 2020 to account for the expected impacts of the COVID-19 pandemic on the subsidiary's clients.

The subsidiary's effective tax rate was down in the year ended October 31, 2020 due to tax incentive measures granted by the Cambodian government and recorded during the second quarter of 2020.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31		Year ended October 31	
	2020	2019[2]	**2020**	2019[2]
Operating results				
Net interest income on a taxable equivalent basis	**(55)**	(40)	**(177)**	(178)
Non-interest income on a taxable equivalent basis	**28**	40	**177**	280
Total revenues on a taxable equivalent basis	**(27)**	–	**–**	102
Non-interest expenses	**249**	86	**453**	350
Income before provisions for credit losses and income taxes on a taxable equivalent basis[1]	**(276)**	(86)	**(453)**	(248)
Provisions for credit losses	**(2)**	–	**3**	–
Income before income taxes on a taxable equivalent basis	**(274)**	(86)	**(456)**	(248)
Income taxes (recovery) on a taxable equivalent basis	**(58)**	(15)	**(101)**	(78)
Net loss	**(216)**	(71)	**(355)**	(170)
Non-controlling interests	**(9)**	7	**8**	26
Net loss attributable to the Bank's shareholders and holders of other equity instruments	**(207)**	(78)	**(363)**	(196)
Specified items after income taxes[1]	**(123)**	(8)	**(133)**	(6)
Net loss excluding specified items[1]	**(93)**	(63)	**(222)**	(164)
Specified items after income taxes and non-controlling interests	**(113)**	(8)	**(123)**	(6)
Net loss attributable to the Bank's shareholders and holders of other equity instruments excluding specified items	**(94)**	(70)	**(240)**	(190)
Average assets	**65,544**	41,416	**56,665**	43,667

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.
(2) For the quarter and year ended October 31, 2019, certain amounts have been reclassified.

For the *Other* heading of segment results, there was a net loss of $216 million in the fourth quarter of 2020 compared to a net loss of $71 million in the same quarter of 2019. The change in net loss stemmed mainly from specified items recorded in the fourth quarter of fiscal 2020, which include a $24 million foreign exchange loss on disposals of subsidiaries, $71 million in impairment losses on premises and equipment and on intangible assets, and $48 million in severance pay. Furthermore, expenses incurred by the Bank to implement pandemic-related health and safety measures for employees and clients and an increase in technology investments made for the Bank's transformation plan and for business development activities contributed to the change in net loss. The specified items recorded in the fourth quarter of fiscal 2019 include an $11 million charge related to Maple. The fourth-quarter net loss excluding specified items[1] was $93 million compared to a $63 million net loss in the same quarter of 2019.

For the year ended October 31, 2020, net loss stood at $355 million compared to a net loss of $170 million in fiscal 2019. This change in net loss was primarily due to approximately $50 million in expenses related to the measures deployed by the Bank to protect the health and guarantee the security of employees and clients in the exceptional circumstances related to the COVID-19 pandemic, by the increase in technology investments related to the Bank's transformation plan and for business development, and by specified items recorded in fiscal 2020 that had a $133 million unfavourable impact on the net income recorded in the *Other* heading. Revenues from treasury activities were higher in fiscal 2020 compared to fiscal 2019, in part due to market volatility in fiscal 2020.

The fiscal 2020 specified items, net of income taxes, include a $36 million foreign exchange loss on the disposal of Credigy's subsidiaries in Brazil, $52 million in impairment losses on premises and equipment and on intangible assets, $35 million in severance pay, and a $10 million charge related to Maple. The fiscal 2019 specified items, net of income taxes, had included a $68 million gain on disposal of Fiera Capital shares, a $43 million gain on disposal of premises and equipment, a $27 million loss on the remeasurement at fair value of the Bank's investment in NSIA, $42 million in impairment losses on premises and equipment and on intangible assets, $7 million in severance pay, an $8 million charge related to Maple, and $33 million in provisions for onerous contracts. Net loss excluding specified items[1] stood at $222 million for fiscal 2020 compared to a $164 million net loss in fiscal 2019.

(1) See the Financial Reporting Method section on pages 4 and 5 for additional information on non-GAAP financial measures.

Consolidated Balance Sheet

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at October 31, 2020	As at October 31, 2019	% Change
Assets			
Cash and deposits with financial institutions	**29,142**	13,698	113
Securities	**102,131**	82,226	24
Securities purchased under reverse repurchase agreements and securities borrowed	**14,512**	17,723	(18)
Loans and acceptances, net of allowances	**164,740**	153,251	7
Other	**21,100**	14,560	45
	331,625	281,458	18
Liabilities and equity			
Deposits	**215,878**	189,566	14
Other	**98,589**	75,983	30
Subordinated debt	**775**	773	–
Equity attributable to the Bank's shareholders and holders of other equity instruments	**16,380**	14,778	11
Non-controlling interests	**3**	358	
	331,625	281,458	18

Assets

As at October 31, 2020, the Bank had total assets of $331.6 billion, an 18% or $50.1 billion increase from $281.5 billion as at October 31, 2019. Cash and deposits with financial institutions, totalling $29.1 billion as at October 31, 2020, increased $15.4 billion, mainly due to deposits with the Bank of Canada. This increase stems partly from the liquidity obtained as part of financing initiatives implemented by the Canadian government through the Bank of Canada, the objective of which is to support the Canadian financial system during the COVID-19 pandemic.

Since October 31, 2019, securities rose $19.9 billion due to a $16.5 billion or 27% increase in securities at fair value through profit or loss, particularly securities issued or guaranteed by Treasury, other U.S. agencies and other foreign governments, and equity securities, and due to a $3.4 billion increase in securities other than those measured at fair value through profit or loss. Securities purchased under reverse repurchase agreements and securities borrowed decreased by $3.2 billion, mainly related to the activities of the Financial Markets segment and Treasury.

Totalling $164.7 billion as at October 31, 2020, loans and acceptances, net of allowances, rose $11.4 billion or 7% since October 31, 2019. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at October 31, 2020	As at October 31, 2019
Loans and acceptances		
Residential mortgage and home equity lines of credit	**89,097**	80,214
Personal	**13,475**	13,901
Credit card	**2,038**	2,322
Business and government	**61,288**	57,492
	165,898	153,929
Allowances for credit losses	**(1,158)**	(678)
	164,740	153,251

Residential mortgages (including home equity lines of credit) were up $8.9 billion or 11% compared to October 31, 2019 due to sustained demand for mortgage credit, the acquisition of mortgage loan portfolios as well as to business growth at the ABA Bank subsidiary. Personal loans and credit card receivables have decreased by $0.4 billion and $0.3 billion, respectively, since October 31, 2019. These decreases stemmed from repayments and maturities in some of Credigy's loan portfolios and to the slowdown caused by COVID-19. Loans and acceptances to business and government were up $3.8 billion or 7% owing to the growth in corporate financial services activities and to growth at the Credigy subsidiary.

Impaired loans include loans classified in Stage 3 of the expected credit loss model and the purchased or originated credit-impaired (POCI) loans of the Credigy subsidiary. As at October 31, 2020, gross impaired loans excluding POCI loans stood at $817 million compared to $684 million as at October 31, 2019. Net impaired loans excluding POCI loans stood at $465 million as at October 31, 2020 compared to $450 million as at October 31, 2019, a $15 million increase related to the increase in net impaired loans of the Personal Banking loan portfolios and ABA Bank portfolios, tempered somewhat by a decrease in the net impaired loans of the Commercial Banking loan portfolios. Gross POCI loans stood at $855 million as at October 31, 2020, whereas they had stood at $1,166 million as at October 31, 2019 as a result of repayments and maturities of certain loan portfolios.

At $21.1 billion as at October 31, 2020, other assets increased by $6.5 billion since October 31, 2019. This increase stems mainly from an increase in derivative financial instruments related to the activities of the Financial Markets segment

Liabilities

As at October 31, 2020, the Bank had total liabilities of $315.2 billion compared to $266.3 billion as at October 31, 2019.

The Bank's total deposit liability stood at $215.9 billion as at October 31, 2020, up $26.3 billion from $189.6 billion as at October 31, 2019. This increase was partly attributable to the support measures granted by the Bank and government authorities in the economic and financial environment created by the COVID-19 pandemic.

At $67.5 billion as at October 31, 2020, personal deposits increased $7.4 billion since October 31, 2019. This increase stems from Personal Banking activities, the Wealth Management segment's brokerage accounts, and business growth at the ABA Bank subsidiary.

Business and government deposits totalled $143.8 billion as at October 31, 2020, rising $18.5 billion from October 31, 2019. This increase came from the funding activities of the Financial Markets segment and of Treasury, including $4.9 billion in deposits subject to bank recapitalization (Bail-In) conversion regulations, from the Wealth Management segment's brokerage activities, as well as from Commercial Banking's activities.

At $4.6 billion as at October 31, 2020, deposits from deposit-taking institutions rose $0.4 billion since October 31, 2019.

As at October 31, 2020, other liabilities stood at $98.6 billion, a $22.6 billion or 30% increase since October 31, 2019 that was due to a $3.6 billion increase in obligations related to securities sold short, a $12.0 billion increase in obligations related to securities sold under repurchase agreements and securities loaned, as well as a $6.0 billion increase in derivative financial instruments.

Equity

As at October 31, 2020, equity attributable to the Bank's shareholders and holders of other equity instruments totalled $16.4 billion, up $1.6 billion from October 31, 2019. This increase stemmed from net income net of dividends, from $500 million in issuances of Limited Recourse Capital Notes (LRCN) – Series 1 and from remeasurements of pension plans and other post-employment benefit plans. These increases were partly offset by accumulated other comprehensive income, in particular losses on cash flow hedges. Lastly, non-controlling interests were down $355 million, essentially due to the redemption of trust units issued by NBC Asset Trust (NBC CapS II) – Serie 2, for gross proceeds of $350 million.

Event After the Consolidated Balance Sheet Date

Acquisition

In the first quarter of fiscal 2021, the Bank will acquire the remaining non-controlling interest in the Credigy Ltd. subsidiary following the decision of the non-controlling shareholders to exercise their put options for an amount of approximately US$235 million according to an agreement reached in 2013. Subsequent to this transaction, Credigy Ltd. will become a wholly owned subsidiary of the Bank.

Income Taxes

In April 2020, the Bank was reassessed by the Canada Revenue Agency (CRA) for additional income tax and interest of approximately $240 million (including estimated provincial tax and interest) in respect of certain Canadian dividends received by the Bank during 2015.

In prior fiscal years, the Bank was reassessed for additional income tax and interest of approximately $370 million (including provincial tax and interest) in respect of certain Canadian dividends received by the Bank during the 2014, 2013 and 2012 taxation years.

The transactions to which the above-mentioned reassessments relate are similar to those prospectively addressed by income tax legislation enacted as a result of the 2015 and 2018 Canadian federal budgets.

The CRA may issue reassessments to the Bank for taxation years subsequent to 2015 in regard to activities similar to those that were the subject of the above-mentioned reassessments. The Bank remains confident that its tax position was appropriate and intends to vigorously defend its position. As a result, no amount has been recognized in the consolidated financial statements as at October 31, 2020.

Contingent Liabilities

Maple Financial Group Inc.

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

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

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

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

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

In December 2019, the Bank, together with the other principal Maple shareholders, reached an agreement with the bankruptcy and insolvency administrator of Maple GmbH to settle any potential claims that might be asserted against them by or on behalf of Maple GmbH. In connection with the settlement, the Bank agreed to pay 8.7 million euros for the benefit of Maple GmbH's creditors and, during the first quarter of 2020, recorded a $13 million charge in the *Non-interest expenses – Other* item presented in the *Other* heading of segment results. During the third quarter of 2020, by virtue of the finalization of this agreement, all material liabilities associated with the Bank's ownership of Maple have been resolved.

Litigation

In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other legal remedies of varied natures.

More specifically, the Bank is involved as a defendant in class actions instituted by consumers contesting, *inter alia*, certain transaction fees or who wish to avail themselves of certain legislative provisions relating to consumer protection. The recent developments in the main legal proceedings involving the Bank are as follows:

<u>Watson</u>

In 2011, a class action was filed in the Supreme Court of British Columbia against Visa Corporation Canada (Visa) and MasterCard International Incorporated (MasterCard) (the Networks) as well as National Bank and a number of other Canadian financial institutions. A similar action was also initiated in Quebec, Ontario, Alberta and Saskatchewan. In each of the actions, the Networks and financial institutions are alleged to have been involved in a price-fixing system to maintain and increase the fees paid by merchants on transactions executed using the credit cards of the Networks. In so doing, they would notably be in breach of the *Competition Act*. An unspecified amount of compensatory and punitive damages is being claimed. In 2017, a settlement was reached with the plaintiffs; in 2018 it was approved by the trial courts in each of the five jurisdictions where the action was initiated. The rulings approving the settlement are now the subject of appeal proceedings in multiple jurisdictions.

Defrance

On January 21, 2019, the Quebec Superior Court authorized a class action against the Bank and several other Canadian financial institutions. The originating application was served to the Bank on April 23, 2019. The class action was initiated on behalf of consumers residing in Quebec. The plaintiffs allege that non-sufficient funds charges, billed by all of the defendants when a payment order is refused due to non-sufficient funds, are illegal and prohibited by the *Consumer Protection Act*. The plaintiffs are claiming, in the form of damages, the repayment of these charges as well as punitive damages.

It is impossible to determine the outcome of the claims instituted or which may be instituted against the Bank and its subsidiaries. The Bank estimates, based on the information at its disposal, that while the amount of contingent liabilities pertaining to these claims, taken individually or in the aggregate, could have a material impact on the Bank's consolidated results of operation for a particular period, it would not have a material adverse impact on the Bank's consolidated financial position.

Capital Management

Regulatory Capital Ratios

As at October 31, 2020, the Bank's CET1, Tier 1, and Total capital ratios were, respectively, 11.8%, 14.9% and 16.0%, i.e., above the regulatory requirements, compared to ratios of, respectively, 11.7%, 15.0% and 16.1% as at October 31, 2019. The increase in the CET1 capital ratio since October 31, 2019 was essentially due to net income net of dividends, transitional measures applicable to ECL provisioning, common share issuances under the Stock Option Plan, and remeasurements of pension plans and other post-employment benefit plans. The growth in risk-weighted assets, the expiry of transitional arrangements for specific wrong-way risk and for the revised securitization framework as well as the adoption of IFRS 16 contributed to offset this increase. The decreases in the Tier 1 capital ratio and the Total capital ratio were essentially due to growth in risk-weighted assets as well as to a redemption of trust units issued by NBC Asset Trust; however, the decrease was partly offset by the issuance of LRCN – Series 1. As at October 31, 2020, the leverage ratio was 4.4% compared to 4.0% as at October 31, 2019. The increase in the leverage ratio is explained by the growth in Tier 1 capital, due to the same factors as described above, and by modest growth in total exposure, mainly from temporary measures announced by OSFI with respect to the exclusion of exposures from central bank reserves and sovereign-issued securities that qualify as High-Quality Liquid Assets (HQLA) securities under the *Liquidity Adequacy Requirements* guideline.

Regulatory Capital and Ratios Under Basel III

(millions of Canadian dollars)	As at October 31, 2020 Adjusted[1]	As at October 31, 2020	As at October 31, 2019
Capital			
CET1	10,924	11,167	9,692
Tier 1	13,869	14,112	12,492
Total	15,167	15,167	13,366
Risk-weighted assets	94,808	94,808	83,039
Total exposure	321,038	321,038	308,902
Capital ratios			
CET1	11.5 %	11.8 %	11.7 %
Tier 1	14.6 %	14.9 %	15.0 %
Total	16.0 %	16.0 %	16.1 %
Leverage ratio	4.3 %	4.4 %	4.0 %

(1) The Basel III regulatory capital and ratios adjusted as at October 31, 2020 do not include the transitional measure applicable to expected credit loss provisioning. For additional information, see the section entitled **"COVID-19 Pandemic – Key Measures Introduced by the Regulatory Authorities" on pages 20 and 21 of the 2020 Annual Report.**

Dividends

On December 1, 2020, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 71 cents per common share, payable on February 1, 2021 to shareholders of record on December 28, 2020.

Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)

	As at October 31, 2020	As at October 31, 2019
Assets		
Cash and deposits with financial institutions	29,142	13,698
Securities		
At fair value through profit or loss	78,326	61,823
At fair value through other comprehensive income	12,726	10,648
At amortized cost	11,079	9,755
	102,131	82,226
Securities purchased under reverse repurchase agreements and securities borrowed	14,512	17,723
Loans		
Residential mortgage	64,959	57,171
Personal	37,613	36,944
Credit card	2,038	2,322
Business and government	54,422	50,599
	159,032	147,036
Customers' liability under acceptances	6,866	6,893
Allowances for credit losses	(1,158)	(678)
	164,740	153,251
Other		
Derivative financial instruments	13,422	8,129
Investments in associates and joint ventures	409	385
Premises and equipment	1,155	490
Goodwill	1,414	1,412
Intangible assets	1,434	1,406
Other assets	3,266	2,738
	21,100	14,560
	331,625	281,458
Liabilities and equity		
Deposits	215,878	189,566
Other		
Acceptances	6,866	6,893
Obligations related to securities sold short	16,368	12,849
Obligations related to securities sold under repurchase agreements and securities loaned[(1)]	33,859	21,900
Derivative financial instruments	12,923	6,852
Liabilities related to transferred receivables	22,855	21,312
Other liabilities	5,718	6,177
	98,589	75,983
Subordinated debt	775	773
Equity		
Equity attributable to the Bank's shareholders and holders of other equity instruments		
Preferred shares and other equity instruments	2,950	2,450
Common shares	3,057	2,949
Contributed surplus	47	51
Retained earnings	10,444	9,312
Accumulated other comprehensive income	(118)	16
	16,380	14,778
Non-controlling interests	3	358
	16,383	15,136
	331,625	281,458

(1) As at October 31, 2020, *Obligations related to securities sold under repurchase agreements and securities loaned* include term repurchase transactions with the Bank of Canada, for which the underlying asset is a Bank issued security such as bearer deposit notes and covered bonds.

Consolidated Statements of Income

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2020	2019	**2020**	2019
Interest income				
Loans	**1,375**	1,673	**5,915**	6,468
Securities at fair value through profit or loss	**239**	265	**1,140**	1,086
Securities at fair value through other comprehensive income	**66**	67	**224**	195
Securities at amortized cost	**42**	55	**211**	210
Deposits with financial institutions	**18**	36	**88**	215
	1,740	2,096	**7,578**	8,174
Interest expense				
Deposits	**460**	911	**2,552**	3,468
Liabilities related to transferred receivables	**92**	117	**392**	444
Subordinated debt	**4**	7	**19**	25
Other	**60**	125	**360**	641
	616	1,160	**3,323**	4,578
Net interest income(1)	**1,124**	936	**4,255**	3,596
Non-interest income				
Underwriting and advisory fees	**104**	96	**397**	314
Securities brokerage commissions	**43**	45	**195**	178
Mutual fund revenues	**124**	116	**477**	449
Trust service revenues	**180**	158	**675**	609
Credit fees	**128**	109	**467**	417
Card revenues	**34**	41	**138**	175
Deposit and payment service charges	**68**	71	**262**	271
Trading revenues (losses)	**93**	245	**604**	829
Gains (losses) on non-trading securities, net	**28**	5	**93**	77
Insurance revenues, net	**30**	28	**128**	136
Foreign exchange revenues, other than trading	**24**	23	**104**	96
Share in the net income of associates and joint ventures	**5**	11	**28**	34
Other	**15**	31	**104**	251
	876	979	**3,672**	3,836
Total revenues	**2,000**	1,915	**7,927**	7,432
Non-interest expenses				
Compensation and employee benefits	**721**	661	**2,713**	2,532
Occupancy	**74**	66	**291**	298
Technology	**273**	158	**805**	704
Communications	**14**	16	**58**	62
Professional fees	**68**	70	**244**	249
Other	**109**	124	**434**	456
	1,259	1,095	**4,545**	4,301
Income before provisions for credit losses and income taxes	**741**	820	**3,382**	3,131
Provisions for credit losses	**110**	89	**846**	347
Income before income taxes	**631**	731	**2,536**	2,784
Income taxes	**139**	127	**453**	462
Net income	**492**	604	**2,083**	2,322
Net income attributable to				
Preferred shareholders and holders of other equity instruments	**31**	29	**118**	116
Common shareholders	**459**	561	**1,923**	2,140
Bank shareholders and holders of other equity instruments	**490**	590	**2,041**	2,256
Non-controlling interests	**2**	14	**42**	66
	492	604	**2,083**	2,322
Earnings per share *(dollars)*				
Basic	**1.37**	1.68	**5.73**	6.39
Diluted	**1.36**	1.67	**5.70**	6.34
Dividends per common share *(dollars)*	**0.71**	0.68	**2.84**	2.66

(1) *Net interest income* includes dividend income. For additional information, see Note 1 to the audited annual consolidated financial statements for the year ended October 31, 2020.

Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2020	2019	**2020**	2019
Net income	**492**	604	**2,083**	2,322
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	**(9)**	(10)	**43**	(9)
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**56**	6	**56**	(2)
Impact of hedging net foreign currency translation gains (losses)	**7**	2	**(14)**	4
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**(20)**	(6)	**(20)**	–
	34	(8)	**65**	(7)
Net change in debt securities at fair value through other comprehensive income				
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**27**	11	**240**	54
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(22)**	(8)	**(155)**	(53)
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**1**	–	**2**	–
	6	3	**87**	1
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**26**	(33)	**(271)**	(137)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**2**	(5)	**(6)**	(20)
	28	(38)	**(277)**	(157)
Share in the other comprehensive income of associates and joint ventures	**1**	(1)	**3**	3
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**103**	(13)	**238**	(135)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**3**	(7)	**(2)**	(21)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(28)**	13	**(44)**	5
	78	(7)	**192**	(151)
Total other comprehensive income, net of income taxes	**147**	(51)	**70**	(311)
Comprehensive income	**639**	553	**2,153**	2,011
Comprehensive income attributable to				
Bank shareholders and holders of other equity instruments	**627**	540	**2,099**	1,946
Non-controlling interests	**12**	13	**54**	65
	639	553	**2,153**	2,011

Consolidated Statements of Comprehensive Income (cont.)

(unaudited) (millions of Canadian dollars)

Income Taxes – Other Comprehensive Income

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

	Quarter ended October 31		Year ended October 31	
	2020	2019	**2020**	2019
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(10)**	2	**(13)**	3
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**6**	–	**6**	(1)
Impact of hedging net foreign currency translation gains (losses)	**2**	1	**(4)**	2
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**(18)**	–	**(18)**	2
	(20)	3	**(29)**	6
Net change in debt securities at fair value through other comprehensive income				
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	**10**	3	**86**	19
Net (gains) losses on debt securities at fair value through other comprehensive income reclassified to net income	**(8)**	(3)	**(56)**	(19)
Change in allowances for credit losses on debt securities at fair value through other comprehensive income reclassified to net income	**–**	–	**1**	–
	2	–	**31**	–
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**10**	(13)	**(97)**	(50)
Net (gains) losses on designated derivative financial instruments reclassified to net income	**1**	(1)	**(2)**	(7)
	11	(14)	**(99)**	(57)
Share in the other comprehensive income of associates and joint ventures	**–**	(1)	**1**	–
Remeasurements of pension plans and other post-employment benefit plans	**38**	(4)	**86**	(48)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	**1**	(3)	**–**	(6)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(10)**	5	**(16)**	2
	22	(14)	**(26)**	(103)

Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars)

	Year ended October 31	
	2020	2019
Preferred shares and other equity instruments at beginning	2,450	2,450
Issuance of preferred shares and other equity instruments	500	–
Preferred shares and other equity instruments at end	2,950	2,450
Common shares at beginning	2,949	2,822
Issuances of common shares pursuant to the Stock Option Plan	111	122
Repurchases of common shares for cancellation	(5)	(40)
Impact of shares purchased or sold for trading	2	45
Common shares at end	3,057	2,949
Contributed surplus at beginning	51	57
Stock option expense	9	11
Stock options exercised	(13)	(15)
Other	–	(2)
Contributed surplus at end	47	51
Retained earnings at beginning	9,312	8,472
Impact of adopting IFRS 15 on November 1, 2018		(4)
Net income attributable to the Bank's shareholders and holders of other equity instruments	2,041	2,256
Dividends on preferred shares and distributions on other equity instruments	(119)	(116)
Dividends on common shares	(953)	(892)
Premium paid on common shares repurchased for cancellation	(25)	(241)
Issuance expenses for shares and other equity instruments, net of income taxes	(5)	–
Remeasurements of pension plans and other post-employment benefit plans	238	(135)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	(2)	(21)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	(44)	5
Impact of a financial liability resulting from put options written to non-controlling interests	–	(12)
Other	1	–
Retained earnings at end	10,444	9,312
Accumulated other comprehensive income at beginning	16	175
Net foreign currency translation adjustments	53	(6)
Net change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	87	1
Net change in gains (losses) on cash flow hedges	(277)	(157)
Share in the other comprehensive income of associates and joint ventures	3	3
Accumulated other comprehensive income at end	(118)	16
Equity attributable to the Bank's shareholders and holders of other equity instruments	16,380	14,778
Non-controlling interests at beginning	358	379
Purchase of the non-controlling interest of the Advanced Bank of Asia Limited subsidiary	–	(30)
Redemption of trust units issued by NBC Asset Trust	(350)	–
Net income attributable to non-controlling interests	42	66
Other comprehensive income attributable to non-controlling interests	12	(1)
Distributions to non-controlling interests	(59)	(56)
Non-controlling interests at end	3	358
Equity	16,383	15,136

Accumulated Other Comprehensive Income

	As at October 31, 2020	As at October 31, 2019
Accumulated other comprehensive income		
Net foreign currency translation adjustments	61	8
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income	101	14
Net gains (losses) on instruments designated as cash flow hedges	(283)	(6)
Share in the other comprehensive income of associates and joint ventures	3	–
	(118)	16

Segment Disclosures

(unaudited) (millions of Canadian dollars)

The Bank carries out its activities in four business segments, which are defined below. For presentation purposes, other activities are grouped in the *Other* heading. Each reportable segment is distinguished by services offered, type of clientele, and marketing strategy.

Personal and Commercial

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

Wealth Management

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

Financial Markets

The Financial Markets segment encompasses corporate banking and investment banking and financial solutions for large and mid-size corporations, public sector organizations, and institutional investors.

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

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

Other

This heading encompasses treasury activities, liquidity management, Bank funding, asset/liability management activities, certain specified items, and the unallocated portion of corporate units.

Results by Business Segment

Quarter ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income[2]	627	613	107	111	269	129	222	180	(101)	(97)	1,124	936
Non-interest income[2][3]	256	262	359	335	226	366	10	12	25	4	876	979
Total revenues	883	875	466	446	495	495	232	192	(76)	(93)	2,000	1,915
Non-interest expenses[4]	465	455	281	271	184	209	80	74	249	86	1,259	1,095
Income before provisions for credit losses and income taxes	418	420	185	175	311	286	152	118	(325)	(179)	741	820
Provisions for credit losses	67	59	1	–	27	10	17	20	(2)	–	110	89
Income before income taxes (recovery)	351	361	184	175	284	276	135	98	(323)	(179)	631	731
Income taxes (recovery)[2]	93	96	49	46	75	73	29	20	(107)	(108)	139	127
Net income	258	265	135	129	209	203	106	78	(216)	(71)	492	604
Non-controlling interests	–	–	–	–	–	–	11	7	(9)	7	2	14
Net income attributable to the Bank's shareholders and holders of other equity instruments	258	265	135	129	209	203	95	71	(207)	(78)	490	590
Average assets	119,504	114,975	6,024	6,082	132,067	119,244	15,272	11,909	65,544	41,416	338,411	293,626

Year ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income[5]	2,445	2,384	442	455	946	474	807	656	(385)	(373)	4,255	3,596
Non-interest income[3][5]	1,018	1,067	1,413	1,288	1,108	1,277	13	59	120	145	3,672	3,836
Total revenues	3,463	3,451	1,855	1,743	2,054	1,751	820	715	(265)	(228)	7,927	7,432
Non-interest expenses[4]	1,849	1,837	1,115	1,073	809	756	319	285	453	350	4,545	4,301
Income before provisions for credit losses and income taxes	1,614	1,614	740	670	1,245	995	501	430	(718)	(578)	3,382	3,131
Provisions for credit losses	517	237	7	–	239	30	80	80	3	–	846	347
Income before income taxes (recovery)	1,097	1,377	733	670	1,006	965	421	350	(721)	(578)	2,536	2,784
Income taxes (recovery)[5]	290	366	194	176	266	257	69	71	(366)	(408)	453	462
Net income	807	1,011	539	494	740	708	352	279	(355)	(170)	2,083	2,322
Non-controlling interests	–	–	–	–	–	–	34	40	8	26	42	66
Net income attributable to the Bank's shareholders and holders of other equity instruments	807	1,011	539	494	740	708	318	239	(363)	(196)	2,041	2,256
Average assets	117,338	112,798	5,917	6,219	123,943	112,493	14,336	10,985	56,665	43,667	318,199	286,162

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

(2) The *Net interest income, Non-interest income and Income taxes (recovery)* items of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $46 million ($57 million in 2019), *Non-interest income* was grossed up by $3 million ($36 million in 2019), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments has been reversed under the *Other* heading.

(3) For the for the quarter and year ended October 31, 2020, for the *Other* heading of segment results, the *Non-interest income* item includes a foreign exchange loss of $24 million following the sale, through its subsidiary Credigy Ltd., of two subsidiaries in Brazil. During the year ended October 31, 2019, for the *Other* heading of segment results, the *Non-interest income* item had included a $79 million gain on disposal of Fiera Capital Corporation shares, a $50 million gain on disposal of premises and equipment, and a $33 million loss resulting from the fair value measurement of an economic interest.

(4) For the quarter and year ended October 31, 2020, for the *Other* heading of segment results, the *Non-interest expenses* item includes $71 million in impairment losses on premises and equipment and on intangible assets related to computer equipment and technology developments, a $13 million charge related to Maple, and $48 million in severance pay. For the *Other* heading of segment results, for the year ended October 31, 2019, the *Non-interest expenses* item had included $57 million in impairment losses on premises and equipment and on intangible assets, $45 million in provisions for onerous contracts, an $11 million charge related to Maple, and $10 million in severance pay.

(5) For the year ended October 31, 2020, *Net interest income* was grossed up by $208 million ($195 million in 2019), *Non-interest income* was grossed up by $57 million ($135 million in 2019), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments has been reversed under the *Other* heading.

Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements such as those contained in this document, in other filings with Canadian securities regulators, and in other communications. From time to time, representatives of the Bank may also make oral forward-looking statements to analysts, investors, the media and other stakeholders. All such statements are made in accordance with applicable securities legislation in Canada and the United States. Forward-looking statements in this document may include, but are not limited to, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, the Bank's objectives, outlook and priorities for fiscal year 2021 and beyond, its strategies or future actions for achieving them, expectations for the Bank's financial condition, the regulatory environment in which it operates, the impacts of — and the Bank's response to — the COVID-19 pandemic, and certain risks it faces. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook", "believe", "foresee", "forecast", "anticipate", "estimate", "project", "expect", "intend", "plan", and similar expressions characterized by the use of the future or conditional form of verbs such as "to be," "must" and "may." Such forward-looking statements are made for the purpose of assisting the holders of the Bank's securities in understanding the Bank's financial position and results of operations as at and for the periods ended on the dates presented, as well as the Bank's vision, strategic goals and financial performance objectives, and may not be appropriate for other purposes.

By their very nature, these forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2021, including in the context of the COVID-19 pandemic, and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives, including provisions for credit losses. In determining its expectations for economic conditions, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the governments of Canada, the United States and certain other countries in which the Bank conducts business, as well as their agencies.

There is a strong possibility that the Bank's express or implied predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that its assumptions may not be confirmed and that its vision, strategic goals and financial performance objectives will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors, many of which are beyond the Bank's control, including the impacts of the COVID-19 pandemic, could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental and social risk, all of which are described in more detail in the Risk Management section beginning on page 68 of the 2020 Annual Report, and more specifically: general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts its business; regulatory changes affecting the Bank's business; geopolitical and sociopolitical uncertainty; important changes in consumer behaviour; the housing and household indebtedness situation and real estate market in Canada; changes in the Bank's customers' and counterparties' performance and creditworthiness; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. *Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; potential disruption to key suppliers of goods and services to the Bank; potential disruptions to the Bank's information technology systems, including evolving cyberattack risk as well as identity theft and theft of personal information; and possible impacts of catastrophic events affecting local and global economies, including natural disasters and public health emergencies such as the COVID-19 pandemic. Statements about the expected impacts of the COVID-19 pandemic on the Bank's business, results of operations, corporate reputation, financial position and liquidity, and on the global economy may be inaccurate and differ, possibly materially, from what is expected as they depend on future developments that are highly uncertain and cannot be predicted. The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section and in the COVID-19 Pandemic section of the 2020 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 risks 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.

Information for Shareholders and Investors

Disclosure of Fourth Quarter 2020 Results

Conference Call

- A conference call for analysts and institutional investors will be held on Wednesday, December 2, 2020 at 1:00 p.m. EST.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 2928251#.
- A recording of the conference call can be heard until January 2, 2021 by dialing 1-800-408-3053 or 905-694-9451. The access code is 3045735#.

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 and Pillar 3 Disclosure, and a slide presentation will be available on the Investor Relations page of National Bank's website on the morning of the day of the conference call.
- The 2020 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, 2021 will be available on February 26, 2021 (subject to approval by the Bank's Board of Directors).

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