PRESS RELEASE
SECOND QUARTER
2017

National Bank reports its results for the Second Quarter of 2017 and raises its quarterly dividend by 2 cents to 58 cents per share

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter and six-month period ended April 30, 2017 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, May 31, 2017 – For the second quarter of 2017, National Bank is reporting net income of $484 million, a $274 million increase from $210 million in the second quarter of 2016. This increase is a result of the sectoral provision for credit losses of $183 million, net of income taxes, recorded for the oil and gas producer and service company loan portfolio in the second quarter of 2016 and of growth in net income across all the business segments. Diluted earnings per share stood at $1.28 in the second quarter of 2017 compared to $0.52 in the second quarter of 2016.

Net income excluding specified items totalled $492 million in the second quarter of 2017 compared to $237 million in the second quarter of 2016, and diluted earnings per share excluding specified items stood at $1.30 for the quarter ended April 30, 2017 compared to $0.60 in the same quarter of 2016. The specified items are described on page 4.

For the first six months of 2017, the Bank's net income totalled $981 million versus $471 million in the same period of 2016, and its 2017 first-half diluted earnings per share stood at $2.62 versus $1.19 in the same period of 2016. These increases were generated by net income growth across all the business segments, the sectoral provision that had been recorded in the second quarter of 2016, and the write-off of the Bank's equity interest in associate Maple Financial Group Inc. in the first quarter of 2016. Net income excluding specified items for the six months ended April 30, 2017 totalled $994 million, a 50% increase from $664 million in the same six-month period of 2016. Diluted earnings per share excluding specified items stood at $2.65 for the six months ended April 30, 2017 compared to $1.77 for the first six months of fiscal 2016.

"Each business segment posted double-digit earnings growth, contributing to the Bank's excellent performance for the second quarter of 2017," said Louis Vachon, President and Chief Executive Officer of National Bank. "Furthermore, the Bank increased its quarterly common share dividend by 2 cents per share or 3.6% to 58 cents per share and continues to strengthen its Common Equity Tier 1 (CET1) capital ratio."

Highlights

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2017	2016	% Change	2017	2016	% Change
Net income	484	210	130	981	471	108
Diluted earnings per share *(dollars)*	$ 1.28	$ 0.52	146	$ 2.62	$ 1.19	120
Return on common shareholders' equity	17.9 %	7.7 %		18.1 %	8.6 %	
Dividend payout ratio	47 %	61 %		47 %	61 %	
Excluding specified items(1)						
Net income excluding specified items	492	237	108	994	664	50
Diluted earnings per share excluding specified items *(dollars)*	$ 1.30	$ 0.60	117	$ 2.65	$ 1.77	50
Return on common shareholders' equity excluding specified items	18.2 %	8.9 %		18.4 %	12.8 %	
Dividend payout ratio excluding specified items	42 %	50 %		42 %	50 %	

	As at April 30, 2017	As at October 31, 2016
CET1 capital ratio under Basel III	10.8 %	10.1 %
Leverage ratio under Basel III	3.8 %	3.7 %

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

Personal and Commercial

- Net income totalled $233 million in the second quarter of 2017 compared to a second-quarter net loss of $13 million last year due to the sectoral provision for credit losses recorded for the oil and gas producer and service company loan portfolio. Net income excluding the impact of the sectoral provision(1) totalled $204 million in the second quarter of 2017, up $34 million or 20% from $170 million in the second quarter of 2016.
- At $734 million, the segment's 2017 second-quarter total revenues rose $36 million or 5% year over year.
- Rising 5% from a year ago, personal lending experienced sustained growth, particularly due to mortgage lending, while commercial lending (excluding oil and gas producers and service companies) grew 6% from a year ago.
- The net interest margin was 2.24% in the second quarter of 2017 versus 2.21% in the second quarter of 2016.
- The 2017 second-quarter non-interest expenses were up 2% year over year.
- At 55.9%, the efficiency ratio improved from 57.4% in the second quarter of 2016.

Wealth Management

- Net income totalled $99 million in the second quarter of 2017, a 27% increase from $78 million in the same quarter of 2016.
- The 2017 second-quarter total revenues amounted to $393 million compared to $353 million in the same quarter of 2016, a $40 million or 11% increase driven by growth in net interest income and fee-based revenues.
- Second-quarter non-interest expenses stood at $258 million compared to $244 million in the second quarter of 2016.
- The efficiency ratio excluding specified items(2) was 64.1%, an improvement from 67.3% in the second quarter of 2016.

Financial Markets

- Net income totalled $175 million in the second quarter of 2017, a 17% increase from $149 million in the same quarter of 2016.
- Total revenues on a taxable equivalent basis amounted to $404 million, a $46 million or 13% year-over-year increase driven primarily by trading activity revenues and gains on available-for-sale securities.
- Non-interest expenses for the second quarter of 2017 stood at $165 million, a $10 million year-over-year increase associated with revenue growth.
- The efficiency ratio was 40.8%, an improvement from 43.3% in the second quarter of 2016.

U.S. Specialty Finance and International

- Net income totalled $40 million in the second quarter of 2017, an $18 million increase from $22 million in the same quarter of 2016.
- The 2017 second-quarter total revenues amounted to $122 million, a $46 million year-over-year increase owing to the revenues generated by subsidiaries Credigy Ltd. and Advanced Bank of Asia Limited (ABA Bank).
- Second-quarter non-interest expenses stood at $55 million, a $14 million year-over-year increase attributable essentially to ABA Bank's expenses, which have been consolidated into the Bank's results since the third quarter of 2016.

Other

- The *Other* heading posted a net loss of $63 million in the second quarter of 2017 versus a $26 million net loss in the same quarter of 2016. This change was mainly due to a $40 million increase in the collective allowance for credit risk on non-impaired loans resulting from growth in the Bank's overall credit portfolio as well as to an increase in non-interest expenses.

Capital Management

- As at April 30, 2017, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 10.8% compared to 10.1% as at October 31, 2016, an increase resulting essentially from net income, net of dividends.
- As at April 30, 2017, the Basel III leverage ratio was 3.8%, essentially unchanged from October 31, 2016.

(1) For additional information on the impact of the sectoral provision, refer to the Personal and Commercial segment results on page 9 of the Report to Shareholders for the quarter ended April 30, 2017.
(2) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.

HIGHLIGHTS

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2017	2016	% Change	2017	2016	% Change
Operating results						
Total revenues	**1,597**	1,425	12	**3,230**	2,714	19
Net income	**484**	210	130	**981**	471	108
Net income attributable to the Bank's shareholders	**462**	193	139	**940**	432	118
Return on common shareholders' equity	**17.9 %**	7.7 %		**18.1 %**	8.6 %	
Earnings per share						
Basic	**$ 1.30**	$ 0.52	150	**$ 2.65**	$ 1.20	121
Diluted	**1.28**	0.52	146	**2.62**	1.19	120
Operating results on a taxable equivalent basis[1] and excluding specified items[2]						
Total revenues on a taxable equivalent basis and excluding specified items	**1,654**	1,507	10	**3,361**	3,037	11
Net income excluding specified items	**492**	237	108	**994**	664	50
Return on common shareholders' equity excluding specified items	**18.2 %**	8.9 %		**18.4 %**	12.8 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	**56.6 %**	57.8 %		**56.6 %**	58.2 %	
Earnings per share excluding specified items[2]						
Basic	**$ 1.32**	$ 0.61	116	**$ 2.69**	$ 1.78	51
Diluted	**1.30**	0.60	117	**2.65**	1.77	50
Common share information						
Dividends declared	**$ 0.56**	$ 0.54		**$ 1.12**	$ 1.08	
Book value				**29.97**	27.75	
Share price						
High	**58.75**	45.56		**58.75**	45.56	
Low	**52.94**	35.95		**46.83**	35.83	
Close	**53.05**	44.84		**53.05**	44.84	
Number of common shares *(thousands)*	**341,524**	337,418		**341,524**	337,418	
Market capitalization	**18,118**	15,130		**18,118**	15,130	

(millions of Canadian dollars)	As at April 30, 2017	As at October 31, 2016	% Change
Balance sheet and off-balance-sheet			
Total assets	**239,020**	232,206	3
Loans and acceptances	**129,765**	126,178	3
Impaired loans, net of total allowances	**(340)**	(289)	
As a % of average loans and acceptances	**(0.3) %**	(0.2) %	
Deposits[3]	**151,160**	142,066	6
Equity attributable to common shareholders	**10,235**	9,642	6
Assets under administration and under management	**425,847**	397,342	7
Earnings coverage	**13.44**	7.84	
Regulatory ratios under Basel III			
Capital ratios[4]			
Common Equity Tier 1 (CET1)	**10.8 %**	10.1 %	
Tier 1	**14.2 %**	13.5 %	
Total	**14.5 %**	15.3 %	
Leverage ratio[4]	**3.8 %**	3.7 %	
Liquidity coverage ratio (LCR)	**139 %**	134 %	
Other information			
Number of employees	**21,290**	21,770	(2)
Number of branches in Canada	**445**	450	(1)
Number of banking machines in Canada	**944**	938	1

(1) See the Consolidated Results section on page 6 of the Report to Shareholders for the quarter ended April 30, 2017.
(2) See the Financial Reporting Method section on page 4 for additional information on non-GAAP financial measures.
(3) An amount of $2.2 billion classified in *Due to clients, dealers and brokers* on the Consolidated Balance Sheet as at October 31, 2016 is now reported in *Deposits*.
(4) The ratios are calculated using the "all-in" methodology.

FINANCIAL REPORTING METHOD

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2016. This presentation reflects the fact that the activities of subsidiary Credigy Ltd., which had previously been presented in the Financial Markets segment, and that the activities of subsidiary Advanced Bank of Asia Limited (ABA Bank) and of other international investments, which had previously been presented in the *Other* heading, are now presented in the U.S. Specialty Finance and International (USSF&I) segment. The Bank made this change to better align the monitoring of its activities with its management structure.

Non-GAAP Measures

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

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2017	2016	% Change	**2017**	2016	% Change
Net income excluding specified items						
Personal and Commercial	**233**	(13)		**446**	167	167
Wealth Management	**105**	84	25	**211**	168	26
Financial Markets	**175**	149	17	**358**	298	20
U.S. Specialty Finance and International	**40**	22	82	**78**	62	26
Other	**(61)**	(5)		**(99)**	(31)	
Net income excluding specified items	**492**	237	108	**994**	664	50
Items related to holding restructured notes[1]	**–**	(3)		**–**	(4)	
Acquisition-related items[2]	**(8)**	(6)		**(13)**	(26)	
Write-off of an equity interest in an associate[3]	**–**	–		**–**	(145)	
Impact of changes to tax measures[4]	**–**	(18)		**–**	(18)	
Net income	**484**	210	130	**981**	471	108
Diluted earnings per share excluding specified items	**$ 1.30**	$ 0.60	117	**$ 2.65**	$ 1.77	50
Items related to holding restructured notes[1]	**–**	(0.01)		**–**	(0.01)	
Acquisition-related items[2]	**(0.02)**	(0.02)		**(0.03)**	(0.08)	
Write-off of an equity interest in an associate[3]	**–**	–		**–**	(0.43)	
Impact of changes to tax measures[4]	**–**	(0.05)		**–**	(0.05)	
Premium paid on preferred shares redeemed for cancellation[5]	**–**	–		**–**	(0.01)	
Diluted earnings per share	**$ 1.28**	$ 0.52	146	**$ 2.62**	$ 1.19	120
Return on common shareholders' equity						
Including specified items	**17.9 %**	7.7 %		**18.1 %**	8.6 %	
Excluding specified items	**18.2 %**	8.9 %		**18.4 %**	12.8 %	

(1) During the quarter ended April 30, 2016, the Bank recorded $3 million in financing costs ($3 million net of income taxes) related to holding restructured notes. During the six-month period ended April 30, 2016, these financing costs amounted to $5 million ($4 million net of income taxes).

(2) During the quarter ended April 30, 2017, the Bank recorded $9 million in acquisition-related charges ($8 million net of income taxes) (2016: $7 million, $6 million net of income taxes). For the six-month period ended April 30, 2017, these charges amounted to $15 million ($13 million net of income taxes) compared to $34 million ($26 million net of income taxes) for the same six-month period of 2016. These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the charges related to its equity interest in TMX Group Limited (TMX), particularly goodwill and intangible asset impairment losses of $18 million ($13 million net of income taxes) recorded in the first quarter of 2016.

(3) During the six-month period ended April 30, 2016, the Bank had written off its equity interest in associate Maple Financial Group Inc. (Maple) in an amount of $164 million ($145 million net of income taxes) following the February 6, 2016 event described in the Analysis of the Consolidated Balance Sheet section on page 35 of the *2016 Annual Report*.

(4) During the quarter ended April 30, 2016, an $18 million tax provision was recorded to reflect the impact of substantively enacted changes to tax measures.

(5) During the six-month period ended April 30, 2016, a $3 million premium was paid on the Series 20 First Preferred Shares redeemed for cancellation.

CAUTION REGARDING FORWARD-LOOKING STATMENTS

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

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

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

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

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

DISCLOSURE OF THE SECOND QUARTER 2017 RESULTS

Conference Call

- A conference call for analysts and institutional investors will be held on Wednesday, May 31, 2017 at 1:00 p.m. EDT.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-695-7806. The access code is 2448130#.
- A recording of the conference call can be heard until June 29, 2017 by dialing 1-800-408-3053 or 905-694-9451. The access code is 7041610#.

Webcast

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

Financial Documents

- The *Press Release* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Press Release*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.

For more information:	**Ghislain Parent**	**Jean Dagenais**	**Claude Breton**	**Linda Boulanger**
	Chief Financial Officer and Executive Vice-President Finance and Treasury 514-394-6807	Senior Vice-President Finance 514-394-6233	Vice-President Public Affairs 514-394-8644	Vice-President Investor Relations 514-394-0296

NATIONAL BANK