PRESS RELEASE
FOURTH QUARTER
2017

National Bank reports its results for the fourth quarter and year-end of 2017 and raises its quarterly dividend by 3% to 60 cents per share

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the fourth quarter of fiscal 2017 and on the audited annual consolidated financial statements for the year ended October 31, 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, December 1, 2017 – For the fourth quarter of 2017, National Bank is reporting net income of $525 million compared to $307 million in the fourth quarter of 2016. Diluted earnings per share stood at $1.39 in the fourth quarter of 2017 compared to $0.78 in the same quarter last year.

Net income excluding specified items totalled $531 million in the fourth quarter of 2017, up 15% from $463 million in the fourth quarter of 2016. Diluted earnings per share excluding specified items stood at $1.40 for the quarter ended October 31, 2017 compared to $1.24 in the same quarter of 2016. The specified items are described on page 2.

For fiscal 2017, the Bank posted record net income of $2,024 million compared to $1,256 million in fiscal 2016, and the 2017 diluted earnings per share stood at $5.38 versus $3.29 in 2016. These increases were driven by net income growth across all of the Bank's business segments as well as by the year-over-year effects of several specified items recorded in fiscal 2016, in particular the sectoral provision, the Bank's write-off of its equity interest in associate Maple Financial Group Inc., and the restructuring charge. For the year ended October 31, 2017, net income excluding specified items was $2,049 million, a 27% increase from $1,613 million in fiscal 2016, and the 2017 diluted earnings per share excluding specified items stood at $5.45 compared to $4.35 in 2016.

"The fourth quarter concludes a record year for the Bank in which its net income exceeded $2 billion for the first time," said Louis Vachon, President and Chief Executive Officer of National Bank. "This excellent performance was driven by revenue growth across all of the Bank's business segments and by an effective management of operating costs."

Highlights

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2017	2016	% Change	**2017**	2016	% Change
Net income	**525**	307	71	**2,024**	1,256	61
Diluted earnings per share *(dollars)*	**$ 1.39**	$ 0.78	78	**$ 5.38**	$ 3.29	64
Return on common shareholders' equity	**17.8 %**	11.0 %		**18.1 %**	11.7 %	
Dividend payout ratio	**42 %**	66 %		**42 %**	66 %	
Excluding specified items(1)						
Net income excluding specified items	**531**	463	15	**2,049**	1,613	27
Diluted earnings per share excluding specified items *(dollars)*	**$ 1.40**	$ 1.24	13	**$ 5.45**	$ 4.35	25
Return on common shareholders' equity excluding specified items	**18.0 %**	17.4 %		**18.3 %**	15.5 %	
Dividend payout ratio excluding specified items	**41 %**	50 %		**41 %**	50 %	

	As at October 31, 2017	As at October 31, 2016
CET1 capital ratio under Basel III	**11.2 %**	10.1 %
Leverage ratio under Basel III	**4.0 %**	3.7 %

(1) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.

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. (Credigy), 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 Financial 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 October 31			Year ended October 31		
	2017	2016	% Change	**2017**	2016	% Change
Net income excluding specified items						
Personal and Commercial	**239**	191	25	**925**	557	66
Wealth Management	**116**	92	26	**439**	347	27
Financial Markets	**186**	176	6	**712**	630	13
U.S. Specialty Finance and International	**55**	21	162	**184**	147	25
Other	**(65)**	(17)		**(211)**	(68)	
Net income excluding specified items	**531**	463	15	**2,049**	1,613	27
Items related to holding restructured notes[1]	**–**	(1)		**–**	(6)	
Acquisition-related items[2]	**(6)**	(9)		**(25)**	(42)	
Restructuring charge[3]	**–**	(96)		**–**	(96)	
Impairment losses on intangible assets[4]	**–**	(32)		**–**	(32)	
Litigation charges[5]	**–**	(18)		**–**	(18)	
Write-off of an equity interest in an associate[6]	**–**	–		**–**	(145)	
Impact of changes to tax measures[7]	**–**	–		**–**	(18)	
Net income	**525**	307	71	**2,024**	1,256	61
Diluted earnings per share excluding specified items	**$ 1.40**	$ 1.24	13	**$ 5.45**	$ 4.35	25
Items related to holding restructured notes[1]	**–**	(0.01)		**–**	(0.02)	
Acquisition-related items[2]	**(0.01)**	(0.03)		**(0.07)**	(0.13)	
Restructuring charge[3]	**–**	(0.28)		**–**	(0.28)	
Impairment losses on intangible assets[4]	**–**	(0.09)		**–**	(0.09)	
Litigation charges[5]	**–**	(0.05)		**–**	(0.05)	
Write-off of an equity interest in an associate[6]	**–**	–		**–**	(0.43)	
Impact of changes to tax measures[7]	**–**	–		**–**	(0.05)	
Premium paid on preferred shares redeemed for cancellation[8]	**–**	–		**–**	(0.01)	
Diluted earnings per share	**$ 1.39**	$ 0.78	78	**$ 5.38**	$ 3.29	64
Return on common shareholders' equity						
Including specified items	**17.8 %**	11.0 %		**18.1 %**	11.7 %	
Excluding specified items	**18.0 %**	17.4 %		**18.3 %**	15.5 %	

(1) During the quarter ended October 31, 2016, the Bank had recorded $2 million in financing costs ($1 million net of income taxes) related to holding restructured notes. During the year ended October 31, 2016, these financing costs stood at $9 million ($6 million net of income taxes).

(2) During the quarter ended October 31, 2017, the Bank recorded $7 million in charges ($6 million net of income taxes) related to acquisitions (2016: $11 million, $9 million net of income taxes). For the year ended October 31, 2017, these charges stood at $30 million ($25 million net of income taxes) and, for fiscal 2016, they were $53 million ($42 million net of income taxes). These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the integration costs arising from its equity interest in TMX Group Limited (TMX), particularly goodwill and intangible asset impairment losses of $18 million ($13 million net of income taxes) recorded in fiscal 2016.

(3) During the quarter ended October 31, 2016, the Bank had recorded a $131 million restructuring charge ($96 million net of income taxes) that had consisted essentially of severance pay.

(4) During the quarter ended October 31, 2016, the Bank had recorded $44 million ($32 million net of income taxes) in intangible asset impairment losses on internally-generated software.

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

(6) During the year ended October 31, 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 38 of the *2017 Annual Report*.

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

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

HIGHLIGHTS

(millions of Canadian dollars, except per share amounts)	Quarter ended October 31			Year ended October 31		
	2017	2016	% Change	2017	2016	% Change
Operating results						
Total revenues	1,704	1,569	9	6,609	5,840	13
Net income	525	307	71	2,024	1,256	61
Net income attributable to the Bank's shareholders	506	289	75	1,940	1,181	64
Return on common shareholders' equity	17.8 %	11.0 %		18.1 %	11.7 %	
Earnings per share						
Basic	$ 1.40	$ 0.79	77	$ 5.44	$ 3.31	64
Diluted	1.39	0.78	78	5.38	3.29	64
Operating results on a taxable equivalent basis[1] and excluding specified items[2]						
Total revenues on a taxable equivalent basis and excluding specified items	1,760	1,632	8	6,864	6,279	9
Net income excluding specified items	531	463	15	2,049	1,613	27
Return on common shareholders' equity excluding specified items	18.0 %	17.4 %		18.3 %	15.5 %	
Efficiency ratio on a taxable equivalent basis and excluding specified items	55.2 %	58.5 %		55.9 %	58.2 %	
Earnings per share excluding specified items[2]						
Basic	$ 1.42	$ 1.25	14	$ 5.52	$ 4.38	26
Diluted	1.40	1.24	13	5.45	4.35	25
Common share information						
Dividends declared	$ 0.58	$ 0.55		$ 2.28	$ 2.18	
Book value				31.51	28.52	
Share price						
High	62.74	47.88		62.74	47.88	
Low	55.29	44.14		46.83	35.83	
Close	62.61	47.88		62.61	47.88	
Number of common shares *(thousands)*	339,592	338,053		339,592	338,053	
Market capitalization	21,262	16,186		21,262	16,186	

(millions of Canadian dollars)	As at October 31, 2017	As at October 31, 2016	% Change
Balance sheet and off-balance-sheet			
Total assets	245,827	232,206	6
Loans and acceptances, net of allowances	134,443	126,178	7
Impaired loans, net of total allowances	(339)	(289)	
As a % of average loans and acceptances	(0.3) %	(0.2) %	
Deposits[3]	156,671	142,066	10
Equity attributable to common shareholders	10,700	9,642	11
Assets under administration and under management	477,358	397,342	20
Earnings coverage	13.61	7.84	
Regulatory ratios under Basel III			
Capital ratios[4]			
Common Equity Tier 1 (CET1)	11.2 %	10.1 %	
Tier 1[5]	14.9 %	13.5 %	
Total[5]	15.1 %	15.3 %	
Leverage ratio[4]	4.0 %	3.7 %	
Liquidity coverage ratio (LCR)	132 %	134 %	
Other information			
Number of employees – Worldwide	21,635	21,770	(1)
Number of branches in Canada	429	450	(5)
Number of banking machines in Canada	931	938	(1)

(1) For additional information, see the Segment Disclosures section on page 20.
(2) See the Financial Reporting Method section on page 2 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.
(5) The ratios as at October 31, 2017 include the redemption of the Series 28 preferred shares on November 15, 2017.

FINANCIAL ANALYSIS

This press release should be read in conjunction with the *2017 Annual Report* (which includes the audited annual consolidated financial statements and MD&A) available on the Bank's website at nbc.ca. Additional information about the Bank, including the *Annual Information Form*, can be obtained from the Bank's website at nbc.ca and SEDAR's website at sedar.com.

Consolidated Results

On November 1, 2016, the Bank had reclassified certain amounts in the Consolidated Statement of Income to better reflect the nature of the income reported in the Personal and Commercial segment. Accordingly, for the quarter ended October 31, 2016, an amount of $9 million reported in *Non-interest income – Credit fees* was reclassified to *Interest income – Loans* ($36 million for the year ended October 31, 2016). This reclassification had no impact on *Net income*.

Total Revenues

For the fourth quarter of 2017, the Bank's total revenues amounted to $1,704 million, up $135 million or 9% from the same quarter of 2016. Its fourth-quarter net interest income was up year over year, mainly because of growth in the loans and deposits of the Personal and Commercial segment; the net interest income growth at Wealth Management attributable in part to improved margins; the net interest income growth at Credigy; and the revenues generated by the ABA Bank subsidiary. These increases were partly offset by a decrease in the net interest income generated by the Financial Markets segment. Fourth-quarter non-interest income was also up, posting year-over-year growth of 9% owing to increases in trading revenues and gains on available-for-sale securities, which rose by $51 million and $27 million, respectively. Furthermore, there were year-over-year increases in mutual fund revenues, trust service revenues, revenues from credit fees, card revenues, revenues from deposit and payment service charges, and the share in the net income of associates and joint ventures. These increases were somewhat tempered by year-over-year decreases in fourth-quarter revenues from underwriting and advisory fees, revenues from securities brokerage commissions, insurance revenues, and the other revenues item, in particular the portion of Credigy revenues included in non-interest income. Total revenues on a taxable equivalent basis and excluding specified items amounted to $1,760 million in the fourth quarter of 2017, up 8% from $1,632 million in the fourth quarter of 2016.

For the year ended October 31, 2017, total revenues amounted to $6,609 million compared to $5,840 million in fiscal 2016, a 13% year-over-year increase that was driven, in part, by 8% growth in net interest income that was essentially attributable to the same reasons provided above for the quarter. The 2017 non-interest income was up 19% year over year, mainly due to increases in trading revenues, gains on available-for-sale securities, Wealth Management revenues, revenues from credit fees, card revenues, revenues from deposit and payment service charges, and insurance revenues. The Bank's share in the net income of associates and joint ventures also increased year-over-year, partly due to an $18 million amount representing the Bank's share in the goodwill and intangible asset impairment losses arising from its interest in TMX that had been recorded in fiscal 2016. The increase in other income is attributable to the $164 million write-off of the equity interest in associate Maple that had been recorded in fiscal 2016, tempered by a non-taxable gain of $41 million recorded in 2016 (following the revaluation of the previously held equity interest in ABA Bank), and by a decrease in Credigy revenues included in non-interest income in 2017. However, these increases were tempered by lower revenues from underwriting and advisory fees and from securities brokerage commissions, while other-than-trading foreign exchange revenues were unchanged. Total revenues on a taxable equivalent basis and excluding specified items amounted to $6,864 million for year ended October 31, 2017 compared to $6,279 million in fiscal 2016.

Provisions for Credit Losses

For the fourth quarter of 2017, the Bank recorded $70 million in provisions for credit losses compared to $59 million in the fourth quarter of 2016. This increase stems mainly from higher credit loss provisions recorded for the U.S. Specialty Finance and International segment and essentially attributable to the Credigy subsidiary, partly offset by lower credit loss provisions recorded for Commercial Banking loans.

For the year ended October 31, 2017, the Bank recorded $244 million in provisions for credit losses, $240 million less than in fiscal 2016. This decrease is related mainly to the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio, which was reversed by $40 million in fiscal 2017 compared to the $250 million recording of this provision in fiscal 2016, as well as to a decrease in the provisions for credit losses on Commercial Banking loans. These lower credit loss provisions were partly offset by a $40 million increase in the collective allowance for credit risk on non-impaired loans recorded to reflect growth in the Bank's overall credit portfolio as well as by higher credit loss provisions recorded for loans in the U.S. Specialty Finance and International segment that are essentially attributable to the Credigy subsidiary.

As at October 31, 2017, gross impaired loans stood at $380 million, declining $112 million since October 31, 2016, mainly due to decreases in impaired loans in the personal and commercial loan portfolios. Impaired loans represented 4.3% of the tangible capital adjusted for allowances as at October 31, 2017, down 2.0 percentage points from 6.3% as at October 31, 2016. As at October 31, 2017, allowances for credit losses exceeded gross impaired loans by $339 million versus $289 million as at October 31, 2016.

Non-Interest Expenses

For the fourth quarter of 2017, non-interest expenses stood at $976 million, a 16% year-over-year decrease that was essentially due to a $131 million restructuring charge, consisting mainly of severance pay, that had been recorded in the fourth quarter of 2016. The fourth quarter of 2016 had also included intangible asset impairment losses of $44 million reported in *Technology* expenses and litigation charges of $25 million reported in *Other* expenses. In addition, the 2017 fourth-quarter professional fees were down year over year due to servicing fees related to the activities of the Credigy subsidiary. These decreases were partly offset by increases in compensation and employee benefits (in particular the variable compensation associated with revenue growth and the cost of pension plans) and in technology investment expenses. Non-interest expenses excluding specified items stood at $971 million in the fourth quarter of 2017 compared to $954 million in the fourth quarter of 2016.

For the year ended October 31, 2017, non-interest expenses were down $18 million year over year, the reasons for which are the same as those provided above for the fourth quarter. This decrease in non-interest expenses was partly offset by an increase in all of the non-interest expenses of the ABA Bank subsidiary, which have been consolidated into the Bank's results since the third quarter of 2016. Non-interest expenses excluding specified items stood at $3,838 million for the year ended October 31, 2017, up 5% from $3,653 million in fiscal 2016.

Income Taxes

For the fourth quarter of 2017, income taxes stood at $133 million compared to $44 million in the fourth quarter of 2016, and the 2017 fourth-quarter effective income tax rate was 20% versus 13% in the same quarter of 2016. This change in the effective income tax rate stems from the tax impact of the restructuring charge recorded in the fourth quarter of 2016.

For the year ended October 31, 2017, the effective income tax rate stood at 19% compared to 15% in fiscal 2016. This change in the effective income tax rate stems mainly from the impact of several specified items that were recorded in fiscal 2016, in particular the sectoral provision on non-impaired loans for the oil and gas producer and service company loan portfolio, the restructuring charge, the gain realized following the revaluation of the previously held equity interest in ABA Bank, and the write-off of the equity interest in associate Maple. Also during fiscal 2016, a tax provision had been recorded to reflect the impact of changes to tax measures.

Results by Segment

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

Personal and Commercial

(millions of Canadian dollars)	Quarter ended October 31					Year ended October 31				
	2017		2016[(1)]		% Change	2017		2016[(1)]		% Change
Operating results										
Net interest income	538		502		7	2,071		1,955		6
Non-interest income	249		237		5	990		945		5
Total revenues	787		739		6	3,061		2,900		6
Non-interest expenses	411		423		(3)	1,646		1,662		(1)
Contribution	376		316		19	1,415		1,238		14
Provisions for credit losses[(2)]	50		54		(7)	153		475		(68)
Income before income taxes	326		262		24	1,262		763		65
Income taxes	87		71		23	337		206		64
Net income	239		191		25	925		557		66
Net income excluding the impact of the sectoral provision[(2)]						896		740		21
Net interest margin[(3)]	2.30	%	2.25	%		2.26	%	2.24	%	
Average interest-bearing assets	92,637		88,842		4	91,461		87,153		5
Average assets	97,665		93,638		4	96,261		92,234		4
Average loans and acceptances	97,343		93,292		4	95,888		91,882		4
Net impaired loans	199		275		(28)	199		275		(28)
Net impaired loans as a % of average loans and acceptances	0.2	%	0.3	%		0.2	%	0.3	%	
Average deposits	56,606		50,559		12	54,302		48,436		12
Efficiency ratio	52.2	%	57.2	%		53.8	%	57.3	%	

(1) For the quarter and year ended October 31, 2016, certain amounts have been revised from those previously reported, including a reclassification between *Non-interest income* and *Net interest income* to better reflect the nature of the revenues.
(2) During the year ended October 31, 2017, the Bank recorded a reversal of $40 million ($29 million net of income taxes) of the sectoral provision on non-impaired loans taken for the oil and gas producer and service company loan portfolio. For the year ended October 31, 2016, the provisions for credit losses had included the $250 million ($183 million net of income taxes) recording of this sectoral provision on non-impaired loans for the oil and gas producer and service company loan portfolio. Given the materiality of this sectoral provision, recorded in accordance with GAAP, net income excluding the impact of the sectoral provision has been presented to provide a better assessment of the segment's results.
(3) Net interest margin is calculated by dividing net interest income by average interest-bearing assets.

In the Personal and Commercial segment, net income totalled $239 million in the fourth quarter of 2017 compared to $191 million in the fourth quarter of 2016. The segment's fourth-quarter total revenues increased by $48 million year over year owing to growth in net interest income, which rose $36 million, and to a $12 million increase in non-interest income. The increase in net interest income came from growth in personal and commercial loan and deposit volumes and from a higher net interest margin (2.30% in the fourth quarter of 2017 versus 2.25% in the fourth quarter of 2016) that was driven mainly by deposit margins.

Personal Banking's fourth-quarter total revenues rose $22 million year over year. Net interest income was up, owing to growth in loan and deposit volumes and wider deposit margins, and non-interest income was also up, owing mainly to increases in revenues from deposit and payment service charges, card revenues, and internal commission revenues generated by the distribution of Wealth Management products. These increases were tempered somewhat by a decrease in insurance revenues. Commercial Banking's total revenues rose $26 million year over year, mainly due to an increase in net interest income as a result of growth in loan and deposit volumes and improved margins on loans. Also contributing to Commercial Banking's revenue growth were revenues from credit fees, revenues from derivative financial instruments, and foreign exchange revenues.

For the fourth quarter of 2017, the segment's non-interest expenses were down $12 million year over year, mainly due to the compensation and employee benefits related to the transformation plan adopted by the Bank to improve operational efficiency and due to operations support charges. The fourth-quarter efficiency ratio was 52.2%, improving 5.0 percentage points from fourth quarter 2016. The segment recorded $50 million in provisions for credit losses in the fourth quarter of 2017, $4 million less than in the same quarter last year as a result of lower credit loss provisions on commercial loans.

For the year ended October 31, 2017, the Personal and Commercial segment posted net income of $925 million, up from $557 million in fiscal 2016. This change is mainly related to the sectoral provision on non-impaired loans for the oil and gas producer and service company loan portfolio, which was reversed by $29 million, net of income taxes, in the second quarter of 2017 compared to the $183 million, net of income taxes, recording of this provision in the second quarter of 2016. Net income excluding the impact of the sectoral provision was $896 million, for a $156 million or 21% year-over-year increase, and the segment's fiscal 2017 total revenues grew 6% year over year. At Personal Banking, the 2017 total revenues grew year over year, mainly due to the same reasons provided for the quarter, except for insurance revenues, which were up in large part due to the gain realized in the first quarter of 2017 following a change to the distribution model for property and casualty insurance. At Commercial Banking, the 2017 total revenues were also up year over year owing to growth in loan and deposit volumes, a higher net interest margin, and increases in revenues from credit fees and foreign exchange activities. These increases were partly offset by a decrease in revenues from bankers' acceptances related essentially to business activities with companies in the oil and gas sector. For the year ended October 31, 2017, the segment's non-interest expenses were down $16 million year over year, mainly due to decreases in compensation and employee benefits (related to the transformation plan adopted by the Bank to improve operational efficiency), communications expenses and operations support charges. These decreases were partly offset by an increase in technology expenses related to business development. The segment's 2017 contribution increased $177 million or 14% year over year. Its provisions for credit losses were $322 million less than those recorded in fiscal 2016, essentially related to the impact of the sectoral provision, which was reversed by $40 million in the second quarter of 2017 compared to the $250 million recording of this provision in the second quarter of 2016. Furthermore, there was a year-over-year decrease in the credit loss provisions recorded for commercial loans. At 53.8% for the year ended October 31, 2017, the efficiency ratio improved by 3.5 percentage points versus fiscal 2016.

Wealth Management

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2017	2016[1]	% Change	2017	2016[1]	% Change
Operating results						
Net interest income	117	98	19	431	372	16
Fee-based revenues	233	213	9	906	803	13
Transaction-based and other revenues	61	60	2	267	266	–
Total revenues	411	371	11	1,604	1,441	11
Non-interest expenses	260	255	2	1,036	999	4
Contribution	151	116	30	568	442	29
Provisions for credit losses	1	1	–	3	5	(40)
Income before income taxes	150	115	30	565	437	29
Income taxes	40	30	33	149	116	28
Net income	110	85	29	416	321	30
Specified items after income taxes[2]	6	7		23	26	
Net income excluding specified items[2]	116	92	26	439	347	27
Average assets	12,115	11,053	10	11,652	11,006	6
Average loans and acceptances	10,353	9,448	10	9,924	9,379	6
Net impaired loans	4	5		4	5	
Average deposits	30,087	30,096	–	31,192	28,344	10
Assets under administration and under management	477,358	397,342	20	477,358	397,342	20
Efficiency ratio excluding specified items[2]	61.7 %	66.7 %		63.1 %	67.3 %	

(1) For the quarter and year ended October 31, 2016, certain amounts have been revised from those previously reported.
(2) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.

In the Wealth Management segment, net income totalled $110 million in the fourth quarter of 2017, a 29% increase from $85 million in the same quarter of 2016. At $116 million in the fourth quarter of 2017, the segment's net income excluding specified items (with the specified items including the acquisition-related items of recent years) rose 26% from $92 million in the same quarter of 2016. The segment's fourth-quarter total revenues amounted to $411 million compared to $371 million in the fourth quarter of 2016, an 11% year-over-year increase that was mainly driven by growth in net interest income, attributable to improved margins, and by fee-based revenues given net inflows across all solutions and a steady rise in stock market performance during the fourth quarter of 2017.

The segment's fourth-quarter non-interest expenses stood at $260 million, a 2% year-over-year increase attributable to the higher variable compensation associated with the revenue growth arising from greater business volume. The efficiency ratio excluding specified items was 61.7% for the fourth quarter of 2017, an improvement of 5.0 percentage points from the same quarter of 2016.

For the year ended October 31, 2017, the Wealth Management segment's net income totalled $416 million, up 30% from $321 million in fiscal 2016, while its net income excluding specified items totalled $439 million, a year-over-year increase of $92 million or 27%. The segment's total revenues amounted to $1,604 million in fiscal 2017 versus $1,441 million in fiscal 2016, a year-over-year increase driven by net interest income growth as a result of deposit growth and improved margins as well as by an increase in fee-based revenues due to the same reasons provided for the quarter. The segment's 2017 non-interest expenses stood at $1,036 million compared to $999 million in 2016, a year-over-year increase due to the higher variable compensation and external management fees associated with higher revenues and produced by greater business volume, operations support charges, and the costs incurred to develop affluent client services in Western Canada. As for the efficiency ratio, it improved to 63.1% for fiscal 2017 compared to 67.3% for fiscal 2016.

Assets under administration and under management increased by $80.0 billion or 20% from a year ago due to net inflows in various solutions and to a steady rise in stock market performance.

Financial Markets

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2017	2016[2]	% Change	2017	2016[2]	% Change
Operating results						
Trading activity revenues						
Equities	131	118	11	496	438	13
Fixed-income	76	80	(5)	304	263	16
Commodities and foreign exchange	20	24	(17)	103	116	(11)
	227	222	2	903	817	11
Financial market fees	65	74	(12)	305	288	6
Gains (losses) on available-for-sale securities, net	21	5		60	16	
Banking services	92	91	1	338	322	5
Other	10	9	11	24	(130)	
Total revenues on a taxable equivalent basis	415	401	3	1,630	1,313	24
Non-interest expenses	161	160	1	658	615	7
Contribution on a taxable equivalent basis	254	241	5	972	698	39
Provisions for credit losses	–	–		–	–	
Income before income taxes on a taxable equivalent basis	254	241	5	972	698	39
Income taxes on a taxable equivalent basis	68	65	5	260	213	22
Net income	186	176	6	712	485	47
Specified items after income taxes[3]	–	–		–	145	
Net income excluding specified items[3]	186	176	6	712	630	13
Average assets	93,044	94,008	(1)	95,004	87,504	9
Average loans and acceptances (Corporate Banking only)	13,931	13,364	4	13,118	12,552	5
Average deposits	21,660	16,668	30	20,926	15,201	38
Efficiency ratio on a taxable equivalent basis and excluding specified items[3]	38.8 %	39.9 %		40.4 %	41.6 %	

(1) For additional information, see the Segment Disclosures section on page 20.
(2) For the quarter and year ended October 31, 2016, certain amounts have been revised from those previously reported, notably amounts related to the Credigy subsidiary, which are now reported in the USSF&I segment.
(3) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.

In the Financial Markets segment, net income totalled $186 million in the fourth quarter of 2017 compared to $176 million in the same quarter of 2016, and fourth-quarter total revenues on a taxable equivalent basis amounted to $415 million compared to $401 million in the fourth quarter of 2016. Fourth-quarter trading activity revenues were up 2% year over year, mainly due to an increase in revenues from equity securities, which rose 11%, whereas revenues from fixed-income securities were down 5% and commodity and foreign exchange revenues were down 17%. As for financial market fees, they were down 12% year over year, while revenues from banking services rose 1%. Both gains on available-for-sale securities and other revenues posted higher results in the fourth quarter of 2017 compared to the fourth quarter of 2016.

At $161 million, the segment's fourth-quarter non-interest expenses remained stable compared to the fourth quarter of 2016. At 38.8%, the fourth-quarter efficiency ratio on a taxable equivalent basis and excluding specified items improved by 1.1 percentage points compared to fourth quarter 2016. This segment's provisions for credit losses were nil in the fourth quarters of both 2017 and 2016.

For the year ended October 31, 2017, the segment's net income totalled $712 million, up $227 million from fiscal 2016. Its total revenues on a taxable equivalent basis amounted to $1,630 million compared to $1,313 million in fiscal 2016, a $317 million year-over-year increase driven by all revenue categories, in particular the *Other* revenue category, which in 2016 had included the $164 million write-off of the Bank's equity interest in associate Maple. In addition, given favourable market conditions, trading activity revenues were up 11%, driven mainly by year-over-year increases in revenues from equity securities and from fixed-income securities, which rose 13% and 16%, respectively. As for revenues from financial market fees and revenues from banking services, they increased by 6% and 5%, respectively. Furthermore, the 2017 gains on available-for-sale securities were higher than those recorded in 2016.

The 2017 non-interest expenses were up 7% year over year, mainly due to an increase in the variable compensation associated with revenue growth and to higher operations support charges. At 40.4%, the 2017 efficiency ratio on a taxable equivalent basis and excluding specified items improved by 1.2 percentage points from 2016. The segment did not record any provisions for credit losses for the years ended October 31, 2017 and 2016.

Excluding the write-off of the Bank's equity interest in associate Maple recorded in 2016, the segment's 2017 net income excluding specified items rose 13% when compared to fiscal 2016.

U.S. Specialty Finance and International

(millions of Canadian dollars)	Quarter ended October 31			Year ended October 31		
	2017	2016[1]	% Change	2017	2016[1]	% Change
Operating results						
Net interest income	99	29	241	262	71	269
Non-interest income	55	73	(25)	279	340	(18)
Total revenues	154	102	51	541	411	32
Credigy	111	80	39	409	324	26
ABA Bank and International	43	22	95	132	87	52
Non-interest expenses	56	66	(15)	225	207	9
Credigy	38	53	(28)	163	182	(10)
ABA Bank and International	18	13	38	62	25	148
Contribution	98	36	172	316	204	55
Provisions for credit losses	19	4	375	48	4	
Income before income taxes	79	32	147	268	200	34
Income taxes	24	11	118	84	53	58
Net income	55	21	162	184	147	25
Non-controlling interests	6	4	50	29	20	45
Net income attributable to the Bank's shareholders	49	17	188	155	127	22
Average assets	8,658	6,312	37	7,519	5,319	41
Average loans and receivables	7,565	4,363	73	6,062	3,499	73
Average other revenue-bearing assets	113	927	(88)	449	1,162	(61)
Average deposits	1,418	1,095	29	1,265	487	
Efficiency ratio	36.4 %	64.7 %		41.6 %	50.4 %	

(1) The amounts presented for the quarter and year ended October 31, 2016 are consistent with the segment disclosure presentation adopted by the Bank for the fiscal year beginning November 1, 2016.

In the U.S. Specialty Finance and International segment, net income totalled $55 million in the fourth quarter of 2017 compared to $21 million in the same quarter of 2016. The segment's fourth-quarter total revenues amounted to $154 million compared to $102 million in the fourth quarter of 2016, a 51% year-over-year increase driven by higher net interest income, both at the Credigy subsidiary, owing to growth in loan volume, and at the ABA Bank subsidiary, owing to growth in loan and deposit volumes. As for fourth-quarter non-interest income, it was down $18 million year over year, mainly because of a decrease in Credigy revenues included in non-interest income in fourth quarter 2017 than in fourth quarter 2016.

The segment's 2017 fourth-quarter non-interest expenses stood at $56 million, a $10 million year-over-year decrease that was mainly due to a decrease in the servicing fees related to the Credigy subsidiary. The segment recorded $19 million in provisions for credit losses in the fourth quarter of 2017, $15 million more than in the same quarter last year and essentially due to the provisions taken for the Credigy subsidiary.

For the year ended October 31, 2017, the segment generated net income of $184 million compared to $147 million in fiscal 2016. Its 2017 total revenues amounted to $541 million compared to $411 million in 2016, growth that was driven in part by a 26% increase in Credigy's revenues, owing to growth in loan volume, and in part by the revenues of the ABA Bank subsidiary, which have been consolidated into the Bank's results since the third quarter of 2016 and that are experiencing sustained growth owing to higher loan and deposit volumes. These revenue increases more than offset the $41 million non-taxable gain on the revaluation of the previously held equity interest in ABA Bank that had been recorded in the third quarter of 2016.

The segment's 2017 non-interest expenses stood at $225 million, an $18 million year-over-year increase attributable essentially to all of ABA Bank's non-interest expenses, which have been consolidated into the Bank's results since the third quarter of 2016. As for the non-interest expenses of the Credigy subsidiary, they were down 10% year over year and primarily due to lower servicing fees. For fiscal 2017, the segment's provisions for credit losses stood at $48 million and were mainly due to the provisions recorded for Credigy as a result of business growth.

Other

(taxable equivalent basis)[1] (millions of Canadian dollars)	Quarter ended October 31		Year ended October 31	
	2017	2016[2]	**2017**	2016[2]
Operating results				
Net interest income	**(40)**	(23)	**(105)**	(113)
Non-interest income	**31**	34	**122**	123
Total revenues on a taxable equivalent basis	**(9)**	11	**17**	10
Non-interest expenses	**88**	255	**292**	392
Contribution on a taxable equivalent basis	**(97)**	(244)	**(275)**	(382)
Provisions for credit losses[3]	**–**	–	**40**	–
Income before income taxes on a taxable equivalent basis	**(97)**	(244)	**(315)**	(382)
Income taxes (recovery) on a taxable equivalent basis	**(32)**	(78)	**(102)**	(128)
Net loss	**(65)**	(166)	**(213)**	(254)
Non-controlling interests	**13**	14	**55**	55
Net loss attributable to the Bank's shareholders	**(78)**	(180)	**(268)**	(309)
Specified items after income taxes[4]	**–**	149	**2**	186
Net loss excluding specified items[4]	**(65)**	(17)	**(211)**	(68)
Average assets	**39,820**	38,273	**37,915**	39,850

(1) For additional information, see the Segment Disclosures section on page 20.
(2) For the quarter and year ended October 31, 2016, certain amounts have been revised from those previously reported, notably amounts related to the ABA Bank subsidiary and the other international investments that are now reported in the USSF&I segment.
(3) For the year ended October 31, 2017, the $40 million in provisions for credit losses reflects an increase in the collective allowance for credit risk on non-impaired loans.
(4) See the Financial Reporting Method section on page 2 for additional information on non-GAAP financial measures.

For the *Other* heading of segment results, there was a net loss of $65 million in the fourth quarter of 2017 compared to a net loss of $166 million in the same quarter of 2016. This change stems mainly from the specified items that had been recorded in the fourth quarter of 2016. The 2016 specified items, net of income taxes, had consisted of a $96 million restructuring charge, $32 million in intangible asset impairment losses, and $18 million in litigation charges. Excluding the specified items for the fourth quarter of 2016, non-interest expenses were up due to an increase in compensation and employee benefits, in particular the cost of pension plans and variable compensation, and to an increase in technology expenses resulting from the Bank's transformation plan. As for the net loss excluding specified items, it stood at $65 million in the fourth quarter of 2017 compared to $17 million in the same quarter of 2016.

For the year ended October 31, 2017, there was a net loss of $213 million compared to a net loss of $254 million in fiscal 2016, a change that can be attributed to the same reasons provided for the quarter. The change can also be explained by an increase of $40 million ($29 million net of income taxes) in the collective allowance on non-impaired loans for credit risk, which was recorded to reflect growth in the Bank's overall credit portfolio during 2017. Furthermore, the net loss for the year ended October 31, 2016 had included the Bank's share in the charges related to its equity interest in TMX, particularly goodwill and intangible asset impairment losses of $13 million, net of income taxes, as well as an $18 million tax provision reflecting the impact of changes to tax measures. As for the net loss excluding specified items, it was $211 million for the year ended October 31, 2017 versus $68 million in fiscal 2016.

Consolidated Balance Sheet

The Bank changed the classification of certain amounts reported in the *Deposits* item and the *Due to clients, dealers and brokers* item of the Consolidated Balance Sheet to better reflect the nature of the balances presented. As a result, as at October 31, 2016, an amount of $2.2 billion was reclassified from the *Due to clients, dealers and brokers* item to the *Deposits* item.

Consolidated Balance Sheet Summary

(millions of Canadian dollars)	As at October 31, 2017	As at October 31, 2016[1]	% Change
Assets			
Cash and deposits with financial institutions	8,802	8,183	8
Securities	65,343	64,541	1
Securities purchased under reverse repurchase agreements and securities borrowed	20,789	13,948	49
Loans and acceptances (net of allowances for credit losses)	134,443	126,178	7
Other	16,450	19,356	(15)
	245,827	232,206	6
Liabilities and equity			
Deposits	156,671	142,066	10
Other	75,589	77,026	(2)
Subordinated debt	9	1,012	(99)
Equity attributable to the Bank's shareholders	12,750	11,292	13
Non-controlling interests	808	810	–
	245,827	232,206	6

(1) On November 1, 2016, the Bank changed the presentation of certain items on the Consolidated Balance Sheet, and certain figures as at October 31, 2016 were adjusted to reflect those changes.

Assets

As at October 31, 2017, the Bank had total assets of $245.8 billion, a 6% or $13.6 billion increase from $232.2 billion as at October 31, 2016. Cash and deposits with financial institutions, totalling $8.8 billion as at October 31, 2017, rose $0.6 billion, mainly due to deposits with financial institutions, while securities rose $0.8 billion since October 31, 2016. Available-for-sale securities were down $6.0 billion, essentially due to a decrease in securities issued or guaranteed by the Canadian federal, provincial and municipal governments. This decrease was partly offset by a $5.3 billion increase in held-to-maturity securities and a $1.5 billion increase in securities at fair value through profit or loss, mainly due to securities issued or guaranteed by the Canadian government and equity securities. Securities purchased under reverse repurchase agreements and securities borrowed rose $6.9 billion resulting mainly from the activities of the Financial Markets segment.

As at October 31, 2017, loans and acceptances, net of allowances for credit losses, increased by $8.2 billion since October 31, 2016 owing to sustained growth in mortgage lending, to growth in the lending activities of the Credigy and ABA Bank subsidiaries, and to the performance of Commercial Banking operations. The following table provides a breakdown of the main loan and acceptance portfolios.

(millions of Canadian dollars)	As at October 31, 2017	As at October 31, 2016
Loans and acceptances		
Consumer	34,716	31,787
Residential mortgage	50,518	48,868
Credit card receivables	2,247	2,177
Business and government	47,681	44,127
	135,162	126,959

Consumer loans increased by 9% since October 31, 2016, mainly due to growth at the Credigy and ABA Bank subsidiaries and to Personal Banking operations. At $50.5 billion, residential mortgage loans rose $1.6 billion since October 31, 2016, with this growth being attributable to sustained demand in mortgage lending. Loans and acceptances to business and government rose $3.6 billion since October 31, 2016 due to business growth at Credigy and at Commercial Banking.

Liabilities

As at October 31, 2017, the Bank had total liabilities of $232.3 billion compared to $220.1 billion as at October 31, 2016.

(millions of Canadian dollars)	As at October 31, 2017	As at October 31, 2016[1]
Balance sheet		
Deposits	53,719	52,521
Off-balance-sheet		
Brokerage	124,212	117,298
Mutual funds	32,192	28,706
Other	408	463
	156,812	146,467
Total personal savings	210,531	198,988

(1) Certain amounts have been revised from those previously reported.

The Bank's total deposit-liability was $156.7 billion at year-end 2017 versus $142.1 billion at year-end 2016, rising $14.6 billion or 10%. At $53.7 billion as at October 31, 2017, personal deposits increased by $1.2 billion since October 31, 2016 essentially as a result of the Bank's initiatives to raise this type of deposit. As at October 31, 2017, total personal savings amounted to $210.5 billion, rising 6% from $199.0 billion since October 31, 2016. Overall, off-balance-sheet personal savings stood at $156.8 billion, rising $10.3 billion or 7% since year-end 2016 and driven by excellent net inflows to mutual funds and by a stock market recovery.

At $97.6 billion, business and government deposits rose $13.7 billion since October 31, 2016. This increase came mainly from growth in banking and governmental activities and in term deposits. At $75.6 billion, other liabilities decreased $1.4 billion since October 31, 2016 due to a $0.8 billion decrease in obligations related to securities sold under repurchase agreements and securities loaned and a $1.1 billion decrease in derivative financial instruments, partly offset by a $1.2 billion increase in obligations related to securities sold short. Subordinated debt decreased by $1.0 billion since October 31, 2016 as the result of an early redemption, in April 2017, of medium-term notes maturing on April 11, 2022.

Equity

As at October 31, 2017, the equity attributable to the Bank's shareholders amounted to $12.8 billion, up $1.5 billion since October 31, 2016. This increase was essentially driven by retained earnings growth, attributable to net income net of dividends, and by common share issuances under the stock option plan, partly offset by common share repurchases for cancellation and by the $400 million issuance of Series 38 preferred shares.

As at November 24, 2017, there were 340,190,181 common shares outstanding and 14,526,844 stock options outstanding. For additional information on share capital, see Note 19 to the audited annual consolidated financial statements for the year ended October 31, 2017.

Event After the Consolidated Balance Sheet Date

Redemption of Preferred Shares

On November 15, 2017, the Bank redeemed all the issued and outstanding Non-Cumulative 5-Year Rate-Reset Series 28 First Preferred Shares. Pursuant to the share conditions, the redemption price was $25.00 per share plus the periodic dividend declared and unpaid. The Bank redeemed 8,000,000 Series 28 preferred shares for a total amount of $200 million, which will reduce *Preferred share capital*.

Income Taxes

In March 2017, the Canada Revenue Agency (CRA) issued a proposed reassessment to the Bank for the 2011 and 2012 taxation years. In May 2017, the CRA reassessed the Bank for the 2012 taxation year. The transactions to which the proposed reassessment and the actual reassessment relate are similar to those prospectively addressed by the synthetic equity arrangement rules introduced in the 2015 Canadian federal budget. The proposed reassessment and the actual reassessment (including estimated provincial income taxes and interest) total approximately $173 million. The CRA may issue reassessments to the Bank in respect of similar activities for fiscal years subsequent to 2012. The Bank is 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, 2017.

Contingent Liabilities

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. The recent developments in the main legal proceeding involving the Bank are as follows:

Watson

In 2011, a class action was filed in the Supreme Court of British Columbia against Visa Corporation Canada (Visa), MasterCard International Incorporated (MasterCard) as well as National Bank and a number of other financial institutions. The plaintiff is alleging that the credit card networks and financial institutions engaged in a price-fixing system to increase or maintain the fees paid by merchants on Visa and MasterCard transactions. In so doing, they would have been in breach of the *Competition Act.* An unspecified amount of compensatory and punitive damages is being claimed. During the year ended October 31, 2017, the Bank entered into an agreement-in-principle with the plaintiffs in order to settle this dispute in the five jurisdictions where the class action was filed. This agreement is subject to the approval of the Court in each of those jurisdictions.

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 operating income 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, 2017, the Bank's CET1, Tier 1 and Total capital ratios were, respectively, 11.2%, 14.9% and 15.1%, i.e., above the regulatory requirements, compared to ratios of, respectively, 10.1%, 13.5% and 15.3% a year earlier. The increase in the CET1 capital ratio stems essentially from net income net of dividends, common share issuances under the Stock Option Plan, remeasurements of pension plans and other post-employment benefit plans, and low growth in risk-weighted assets, partly offset by common share repurchases during the year ended October 31, 2017. The increase in the Tier 1 capital ratio stems essentially from the same items as well as from the June 13, 2017 issuance of preferred shares for $400 million, partly offset by a $200 million redemption of preferred shares on November 15, 2017, which is already excluded from capital ratio calculations as at October 31, 2017. The decrease in the Total capital ratio is due to the April 11, 2017 redemption of $1.0 billion in medium-term notes maturing on April 11, 2022. The leverage ratio as at October 31, 2017 was 4.0% compared to 3.7% as at October 31, 2016.

Regulatory Capital and Ratios Under Basel III(1)

(millions of Canadian dollars)	As at October 31, 2017	As at October 31, 2016
Capital		
CET1	7,856	6,865
Tier 1(2)	10,457	9,265
Total(2)	10,661	10,506
Risk-weighted assets		
CET1 capital	70,173	68,205
Tier 1 capital	70,327	68,430
Total capital	70,451	68,623
Total exposure	262,539	253,097
Capital ratios		
CET1	11.2 %	10.1 %
Tier 1(2)	14.9 %	13.5 %
Total(2)	15.1 %	15.3 %
Leverage ratio	4.0 %	3.7 %

(1) Figures are presented on an "all-in" basis.
(2) Figures as at October 31, 2017 include the redemption of the Series 28 preferred shares on November 15, 2017.

Dividends

On November 30, 2017, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 60 cents per common share, up 2 cents or 3%, payable on February 1, 2018 to shareholders of record on December 27, 2017.

CONSOLIDATED BALANCE SHEETS

(unaudited) (millions of Canadian dollars)

	As at October 31, 2017	As at October 31, 2016
Assets		
Cash and deposits with financial institutions	8,802	8,183
Securities		
At fair value through profit or loss	47,536	45,964
Available-for-sale	8,552	14,608
Held-to-maturity	9,255	3,969
	65,343	64,541
Securities purchased under reverse repurchase agreements and securities borrowed	20,789	13,948
Loans		
Residential mortgage	50,518	48,868
Personal and credit card	36,963	33,964
Business and government	41,690	37,686
	129,171	120,518
Customers' liability under acceptances	5,991	6,441
Allowances for credit losses	(719)	(781)
	134,443	126,178
Other		
Derivative financial instruments	8,423	10,416
Purchased receivables	2,014	1,858
Investments in associates and joint ventures	631	645
Premises and equipment	558	1,338
Goodwill	1,409	1,412
Intangible assets	1,239	1,140
Other assets	2,176	2,547
	16,450	19,356
	245,827	232,206
Liabilities and equity		
Deposits	156,671	142,066
Other		
Acceptances	5,991	6,441
Obligations related to securities sold short	15,363	14,207
Obligations related to securities sold under repurchase agreements and securities loaned	21,767	22,636
Derivative financial instruments	6,612	7,725
Liabilities related to transferred receivables	20,098	20,131
Other liabilities	5,758	5,886
	75,589	77,026
Subordinated debt	9	1,012
Equity		
Equity attributable to the Bank's shareholders		
Preferred shares	2,050	1,650
Common shares	2,768	2,645
Contributed surplus	58	73
Retained earnings	7,706	6,706
Accumulated other comprehensive income	168	218
	12,750	11,292
Non-controlling interests	808	810
	13,558	12,102
	245,827	232,206

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2017	2016	2017	2016
Interest income				
Loans	1,246	1,023	4,511	3,872
Securities at fair value through profit or loss	132	144	598	620
Available-for-sale securities	47	86	227	330
Held-to-maturity securities	44	13	130	24
Deposits with financial institutions	39	15	114	65
	1,508	1,281	5,580	4,911
Interest expense				
Deposits	502	395	1,780	1,435
Liabilities related to transferred receivables	107	100	403	404
Subordinated debt	1	8	16	33
Other	57	–	149	47
	667	503	2,348	1,919
Net interest income	841	778	3,232	2,992
Non-interest income				
Underwriting and advisory fees	71	91	349	376
Securities brokerage commissions	50	57	216	235
Mutual fund revenues	105	98	412	364
Trust service revenues	136	117	518	453
Credit fees	95	87	361	346
Card revenues	33	30	132	119
Deposit and payment service charges	76	68	279	258
Trading revenues (losses)	134	83	374	150
Gains (losses) on available-for-sale securities, net	39	12	140	70
Insurance revenues, net	25	29	117	114
Foreign exchange revenues, other than trading	19	19	81	81
Share in the net income of associates and joint ventures	11	2	35	15
Other	69	98	363	267
	863	791	3,377	2,848
Total revenues	1,704	1,569	6,609	5,840
Provisions for credit losses	70	59	244	484
	1,634	1,510	6,365	5,356
Non-interest expenses				
Compensation and employee benefits	601	556	2,358	2,161
Occupancy	59	59	236	233
Technology	148	182	568	587
Communications	14	16	61	67
Professional fees	64	83	254	276
Restructuring charge	–	131	–	131
Other	90	132	380	420
	976	1,159	3,857	3,875
Income before income taxes	658	351	2,508	1,481
Income taxes	133	44	484	225
Net income	525	307	2,024	1,256
Net income attributable to				
Preferred shareholders	27	23	85	64
Common shareholders	479	266	1,855	1,117
Bank shareholders	506	289	1,940	1,181
Non-controlling interests	19	18	84	75
	525	307	2,024	1,256
Earnings per share *(dollars)*				
Basic	1.40	0.79	5.44	3.31
Diluted	1.39	0.78	5.38	3.29
Dividends per common share *(dollars)*	0.58	0.55	2.28	2.18

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (millions of Canadian dollars)

	Quarter ended October 31		Year ended October 31	
	2017	2016	**2017**	2016
Net income	**525**	307	**2,024**	1,256
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	**61**	38	**(64)**	62
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**–**	(12)
Impact of hedging net foreign currency translation gains (losses)	**(18)**	(17)	**25**	(33)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**–**	5
	43	21	**(39)**	22
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**37**	23	**119**	113
Net (gains) losses on available-for-sale securities reclassified to net income	**(35)**	(13)	**(131)**	(74)
	2	10	**(12)**	39
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**20**	(23)	**33**	34
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(8)**	(5)	**(26)**	(18)
	12	(28)	**7**	16
Share in the other comprehensive income of associates and joint ventures	**(9)**	–	**(10)**	1
Items that will not be subsequently reclassified to net income				
Remeasurements of pension plans and other post-employment benefit plans	**(43)**	(34)	**97**	(257)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**9**	(22)	**(21)**	(66)
	(34)	(56)	**76**	(323)
Total other comprehensive income (loss), net of income taxes	**14**	(53)	**22**	(245)
Comprehensive income	**539**	254	**2,046**	1,011
Comprehensive income attributable to				
Bank shareholders	**518**	234	**1,966**	931
Non-controlling interests	**21**	20	**80**	80
	539	254	**2,046**	1,011

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	
	2017	2016	**2017**	2016
Net foreign currency translation adjustments				
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(3)**	(3)	**(2)**	(1)
Net foreign currency translation (gains) losses on investments in foreign operations reclassified to net income	**–**	–	**–**	(2)
Impact of hedging net foreign currency translation gains (losses)	**(6)**	(2)	**1**	(9)
Impact of hedging net foreign currency translation (gains) losses reclassified to net income	**–**	–	**–**	2
	(9)	(5)	**(1)**	(10)
Net change in available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**17**	9	**46**	42
Net (gains) losses on available-for-sale securities reclassified to net income	**(13)**	(5)	**(48)**	(27)
	4	4	**(2)**	15
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**7**	(7)	**12**	13
Net (gains) losses on designated derivative financial instruments reclassified to net income	**(2)**	(3)	**(9)**	(7)
	5	(10)	**3**	6
Share in the other comprehensive income of associates and joint ventures	**(3)**	–	**(3)**	–
Remeasurements of pension plans and other post-employment benefit plans	**(15)**	(13)	**36**	(94)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**3**	(8)	**(8)**	(24)
	(15)	(32)	**25**	(107)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (millions of Canadian dollars)

	Year ended October 31	
	2017	2016
Preferred shares at beginning	**1,650**	1,023
Issuances of Series 34, 36 and 38 preferred shares	**400**	800
Redemption of Series 20 preferred shares for cancellation	**–**	(173)
Preferred shares at end	**2,050**	1,650
Common shares at beginning	**2,645**	2,614
Issuances of common shares		
Stock Option Plan	**179**	43
Repurchases of common shares for cancellation	**(16)**	–
Impact of shares purchased or sold for trading	**(37)**	(12)
Other	**(3)**	–
Common shares at end	**2,768**	2,645
Contributed surplus at beginning	**73**	67
Stock option expense	**11**	12
Stock options exercised	**(26)**	(6)
Contributed surplus at end	**58**	73
Retained earnings at beginning	**6,706**	6,705
Net income attributable to the Bank's shareholders	**1,940**	1,181
Dividends		
Preferred shares	**(85)**	(61)
Common shares	**(778)**	(736)
Premium paid on preferred shares redeemed for cancellation	**–**	(3)
Premium paid on common shares repurchased for cancellation	**(99)**	–
Share issuance expenses, net of income taxes	**(8)**	(11)
Remeasurements of pension plans and other post-employment benefit plans	**97**	(257)
Net fair value change attributable to the credit risk on financial liabilities designated at fair value through profit or loss	**(21)**	(66)
Impact of a financial liability resulting from put options written to non-controlling interests	**(34)**	(46)
Other	**(12)**	–
Retained earnings at end	**7,706**	6,706
Accumulated other comprehensive income at beginning	**218**	145
Net foreign currency translation adjustments	**(39)**	22
Net change in unrealized gains (losses) on available-for-sale securities	**(12)**	39
Net change in gains (losses) on cash flow hedges	**11**	11
Share in the other comprehensive income of associates and joint ventures	**(10)**	1
Accumulated other comprehensive income at end	**168**	218
Equity attributable to the Bank's shareholders	**12,750**	11,292
Non-controlling interests at beginning	**810**	801
Net income attributable to non-controlling interests	**84**	75
Other comprehensive income attributable to non-controlling interests	**(4)**	5
Distributions to non-controlling interests	**(82)**	(71)
Non-controlling interests at end	**808**	810
Equity	**13,558**	12,102

ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at October 31, 2017	As at October 31, 2016
Accumulated other comprehensive income		
Net foreign currency translation adjustments	**(13)**	26
Net unrealized gains (losses) on available-for-sale securities	**39**	51
Net gains (losses) on instruments designated as cash flow hedges	**146**	135
Share in the other comprehensive income of associates and joint ventures	**(4)**	6
	168	218

SEGMENT DISCLOSURES

(unaudited) (millions of Canadian dollars)

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. (Credigy), 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.

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

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

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

U.S. Specialty Finance and International (USSF&I)
The USSF&I segment encompasses the specialty finance expertise provided by subsidiary Credigy; the activities of subsidiary ABA Bank, 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, including the Bank's asset and liability management, liquidity management and funding operations, certain non-recurring items and the unallocated portion of corporate services.

Results by Business Segment

Quarter ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income[2]	538	502	117	98	167	225	99	29	(80)	(76)	841	778
Non-interest income[2]	249	237	294	273	248	176	55	73	17	32	863	791
Total revenues	787	739	411	371	415	401	154	102	(63)	(44)	1,704	1,569
Non-interest expenses	411	423	260	255	161	160	56	66	88	255	976	1,159
Contribution	376	316	151	116	254	241	98	36	(151)	(299)	728	410
Provisions for credit losses	50	54	1	1	–	–	19	4	–	–	70	59
Income before income taxes (recovery)	326	262	150	115	254	241	79	32	(151)	(299)	658	351
Income taxes (recovery)[2]	87	71	40	30	68	65	24	11	(86)	(133)	133	44
Net income	239	191	110	85	186	176	55	21	(65)	(166)	525	307
Non-controlling interests	–	–	–	–	–	–	6	4	13	14	19	18
Net income attributable to the Bank's shareholders	239	191	110	85	186	176	49	17	(78)	(180)	506	289
Average assets	97,665	93,638	12,115	11,053	93,044	94,008	8,658	6,312	39,820	38,273	251,302	243,284

Year ended October 31[1]

	Personal and Commercial		Wealth Management		Financial Markets		USSF&I		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income[3]	2,071	1,955	431	372	782	938	262	71	(314)	(344)	3,232	2,992
Non-interest income[3]	990	945	1,173	1,069	848	375	279	340	87	119	3,377	2,848
Total revenues	3,061	2,900	1,604	1,441	1,630	1,313	541	411	(227)	(225)	6,609	5,840
Non-interest expenses	1,646	1,662	1,036	999	658	615	225	207	292	392	3,857	3,875
Contribution	1,415	1,238	568	442	972	698	316	204	(519)	(617)	2,752	1,965
Provisions for credit losses[4]	153	475	3	5	–	–	48	4	40	–	244	484
Income before income taxes (recovery)	1,262	763	565	437	972	698	268	200	(559)	(617)	2,508	1,481
Income taxes (recovery)[3]	337	206	149	116	260	213	84	53	(346)	(363)	484	225
Net income	925	557	416	321	712	485	184	147	(213)	(254)	2,024	1,256
Non-controlling interests	–	–	–	–	–	–	29	20	55	55	84	75
Net income attributable to the Bank's shareholders	925	557	416	321	712	485	155	127	(268)	(309)	1,940	1,181
Average assets	96,261	92,234	11,652	11,006	95,004	87,504	7,519	5,319	37,915	39,850	248,351	235,913

(1) For the quarter and year ended October 31, 2016, certain amounts have been revised from those previously reported, particularly in the Personal and Commercial segment, where an amount of $9 million reported in *Non-interest income* was reclassified to *Net interest income* ($36 million for the year ended October 31, 2016).

(2) *Net interest income, Non-interest income* and *Income taxes (recovery)* of the business segments are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists of grossing up certain tax-exempt income by the amount of income tax that would have been otherwise payable. For the business segments as a whole, *Net interest income* was grossed up by $40 million ($53 million in 2016), *Non-interest income* was grossed up by $14 million ($2 million in 2016) and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(3) For the year ended October 31, 2017, *Net interest income* was grossed up by $209 million ($231 million in 2016), *Non-interest income* was grossed up by $35 million ($4 million in 2016), and an equivalent amount was recognized in *Income taxes (recovery)*. The effect of these adjustments is reversed under the *Other* heading.

(4) During the year ended October 31, 2017, the Bank reversed, by $40 million, the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio presented in the Personal and Commercial segment, and the $40 million in provisions for credit losses in the *Other* heading reflects an increase in the collective allowance for credit risk on non-impaired loans. For the year ended October 31, 2016, the provisions for credit losses included the $250 million sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio that was presented in the Personal and Commercial segment.

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 *2017 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 2018 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 2018 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 51 of the *2017 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 *2017 Annual Report*. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

INFORMATION FOR SHAREHOLDERS AND INVESTORS

Disclosure of Fourth Quarter 2017 Results

Conference Call

- A conference call for analysts and institutional investors will be held on Friday, December 1, 2017 at 11:00 a.m. EST.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-695-7806. The access code is 6531436#.
- A recording of the conference call can be heard until December 30, 2017 by dialing 1-800-408-3053 or 905-694-9451. The access code is 5720923#.

Webcast

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

Financial Documents

- The *Press Release* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Press Release*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.
- The *2017 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, 2018 will be available on February 28, 2018 (subject to approval by the Bank's Board of Directors).

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

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